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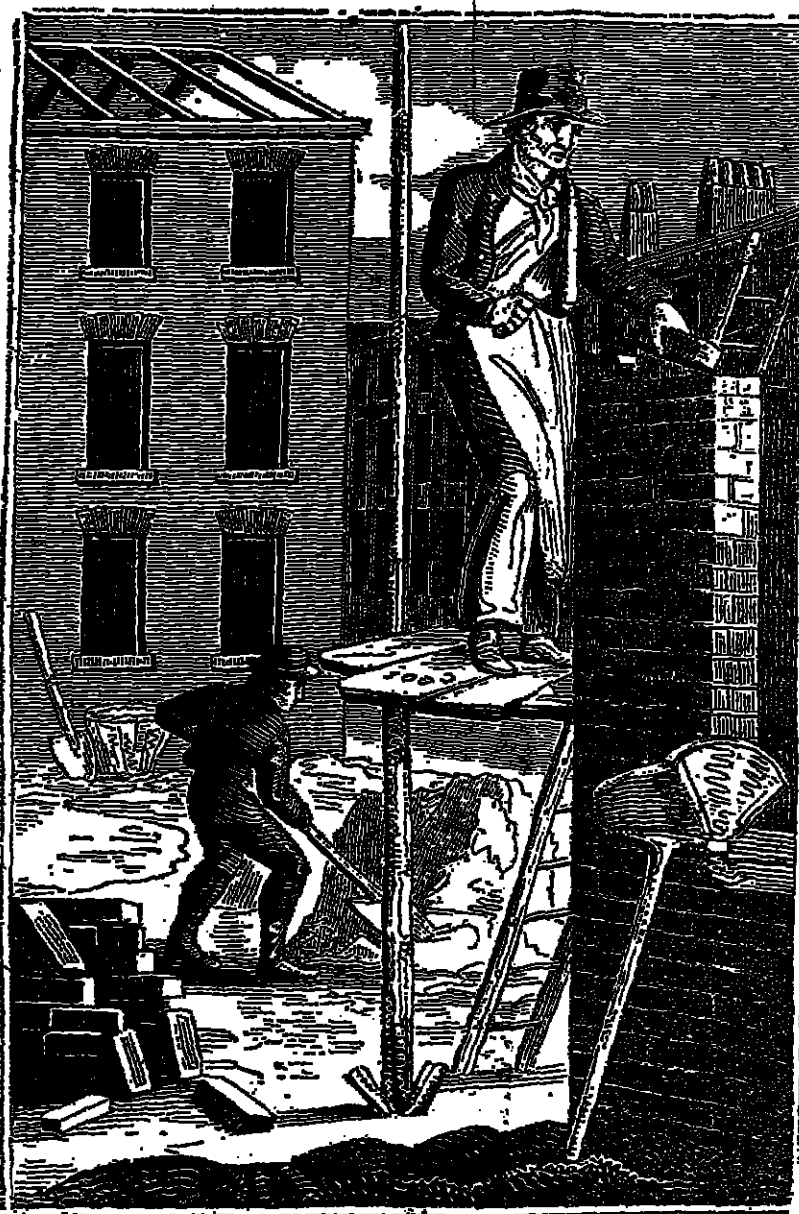
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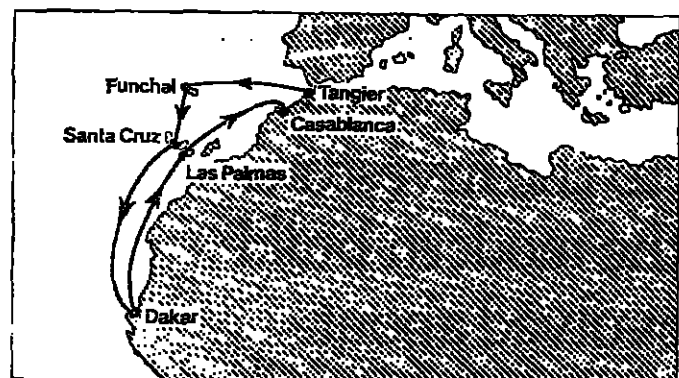
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HOME NEWS

Snags arise in search for warning plan on release of chemicals

By Pearce Wright
Science Editor

Efforts to establish a warning system to guard against dangers from the release of poisonous and potentially hazardous chemicals in spillage accidents are being hampered. A number of government departments involved in the scheme are unable to reach an agreement with many industrial and research organizations that would have to provide information about their activities and products. One reason is that some research institutions would prefer to keep the results of tests secret.

The project, called DESNET, standing for Network of Data on Environmentally Significant Chemicals, was proposed by a scientific group in the Department of the Environment to improve, assess and monitor, assessment and early warning of pollution.

It would, however, help emergency services to cope with various incidents from an accident in a school laboratory to a large-scale industrial disaster. An essential feature is instant access to information about a multitude of manufacturing processes and chemical compounds.

An initial investigation costing £10,000 a year is being made at the National Chemical Information Service, at Nottingham, run by the Chemical Society. It shows how informa-

tion can be gathered from scattered sources and drawn together for exchange by computer network in cases of emergency.

The next stage of the project, beginning to put the scheme into practice, would cost about £250,000. Development of a third stage into a larger national network would require several million pounds.

Difficulties have arisen in deciding what information should be held in a network that would be generally available to the public through the emergency services.

In principle, all compounds produced in any quantity and likely to be released, intentionally or unintentionally, would be covered. To be fully effective the monitoring network must allow instant identification of the origin of the substance and descriptions of research showing the degree to which it might be poisonous.

Apart from the desire for secrecy there are also arguments about what constitutes a large volume of production. One idea is to select a minimum quantity made in a year of about 500kg. That would exclude many research substances that are highly dangerous, and indeed would exclude many of the federal materials made in Ministry of Defence establishments. Arguments like these are bedeviling attempts to get an early warning system agreed.

TV reports on tea estates 'not impartial', IBA says

The Independent Broadcasting Authority has told Granada Television that it is dissatisfied with the way two *World in Action* programmes on British-owned tea plantations were presented.

Granada "has been left in no doubt about our dissatisfaction at this lapse from the standards of impartiality which we require from our programme contractors", Lady Flounden, IBA chairman, says in a letter regarding the result of the authority's investigations.

Representations were made by the Co-operative Wholesale Society, one of four companies named in the films, regarding the IBA findings are contained in *Independent Broadcasting*, the IBA journal, published today.

The *World in Action* reports alleged that poor conditions and severe malnutrition existed widely on British-owned estates in India and Sri Lanka. The Co-operative Wholesale Society denies that such conditions exist on its estates, which are in India only.

The IBA upholds a complaint made by the Co-operative Wholesale Society that the way its 1,000-acre statement was presented to viewers, and a lack of balance in presenting facts in their text.

The IBA considered Granada was "wholly justified" in examining working and living conditions on British-owned tea estates, and could not accept unreservedly the validity of all the society's complaints. But it adds: "These two programmes, and in particular the second one, did not live up in every respect to the requirements of due impartiality expected by the authority in the field of current affairs."

Mr. Arthur Sugden, the society's chief executive officer, said: "I am pleased with Lady Flounden's investigation, but I am disappointed that the IBA does not help us, over the problem of millions of people having gained a misleading view of our Indian tea operations."

Complete list of the Government as new parliamentary session starts

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The Welsh, lovers of committees, already manage many of their own affairs Half those in Wales 'do not want devolution'

By Staff Reporters

According to a new opinion poll on the devolution of London power to assemblies in Wales, and Scotland, half the people of Wales do not want devolution. But what is often overlooked in the intensifying debate on the future of the United Kingdom should take is that Wales already has a lot of devolution. What it lacks is democratic control of it.

Much of the management of Welsh affairs lies with nominated committees which control enormous sums of taxpayers' money, meet in secret and do not have to submit to public scrutiny of their management. In that area of Welsh life bureaucracy is more powerful than democracy. And it is that critical aspect of the devolution argument, when considered with the overloading of Westminster and the backroom government of civil servants, that champions of the status quo have yet to answer.

In Wales committees are almost a way of life. The spread of the nominated committees covering the gap between accountable central government and accountable local government is remarkable. The committees cover the public utilities like electricity and water, the health services, tourism, some aspects of industrial development, broadcasting, and cultural and environmental interests.

There are about 70 important non-elected public bodies and fifty of those spend more than £300m a year. That money is controlled by 2,350 committee members, more than a thousand of them appointed by the Government. A third of the thousands are appointed by the Secretary of State for Wales, a third by the Secretary of State acting with other ministers, and the rest by other ministers.

There are committee men in Wales who do not know of committees. Although it seems that the pool of public service talent the Government can draw on is rather small, the truth is that the Civil Service, which makes up lists of likely committee men, does not usually go outside a fairly narrow band and does not often pick people of the younger generation.

There has never been any suggestion that because the committees are nominated and are not accountable they do not do a good job.

There is no doubt that many committee men bring expertise and experience to the bodies on which they serve; and there are certain areas, like the arts, where, where detailed government control might not work well in practice.

Box in their memorandum of dissent, incorporated in the Kilbrandon report on the constitution, Lord Crowther-Hunt and Professor Alan Peacock

The first Secretary of State for Wales had a staff of 235 in 1964 and controlled £48,000 of public expenditure. The present minister has 1,500 staff and a budget of more than £240m.

made clear their reservations about the nominated bodies. "One of the main institutional developments since 1945 has been the proliferation of a wide range of ad hoc authorities," they said.

"Many of the executive bodies were set up in the cause of managerial efficiency, and it was felt this could be achieved only if responsibility was entrusted to nominated rather than elected individuals who must be able to operate without being subjected to the detailed control of local or central government. Often the effect has been to make the operations of these bodies largely independent of democratic supervision."

"The advisory committees are a device to associate a range of individuals and organisations with government and public authority decision-making processes. But like the executive ad hoc authorities they are nominated and not elected. They enable the executive to have a decisive voice in determining who should give it advice. And that advice is usually given in secret."

Lord Crowther-Hunt and Professor Peacock said that a consequence of the erosion of the extent to which we as a people govern ourselves.

The Welsh Labour Party, in a new document explaining its political support, says that devolution does not mean another tier of government. "An all-Wales level of government already exists through the



Mr John Morris: "No one would pretend that Parliament's scrutiny of Welsh Office activities is adequate."

Welsh Office and the nominated bodies. These vital functions of government should be the responsibility of elected members, accountable directly to the people of Wales."

The document points out that the Secretary of State for Wales has also to be a Minister for Education, Health, Roads, Industry and Housing; and it quotes Mr John Morris, the present Secretary of State, as saying: "On an all-Wales level we already have a host of nominated bodies exercising enormous powers. Other decisions are taken by myself, and while I am answerable to Parliament, no one would pretend that Parliament's scrutiny of Welsh Office activities is adequate."

The Labour Party document says that Mr Morris has signed more than a hundred orders and instruments binding on the people of Wales, and not one has been debated in the Commons. But that is not the fault of Welsh MPs. "Conscientious MPs inevitably feel frustrated at the lack of time available to them to keep Welsh matters under proper scrutiny."

The document concludes that a Welsh assembly would not mean extra costs and a new bureaucracy. "We believe that democracy is more efficient and less expensive than bureaucracy."

Those who doubt whether devolution makes good administrative sense, whatever its political justness, argue that Wales has done much better out of the gradual decentralization of administration that has taken place since the Welsh Office was first established 11 years ago than it could hope to do out of the abrupt devolution of policy-making to a Welsh assembly, which would almost inevitably develop an antagonistic relationship with Westminster.

There is some evidence to support that view. When Mr James Griffiths was appointed the first Secretary of State for Wales in November, 1964, he presided over a staff of 235 and was responsible for the insignificant sum of £48,000 of public expenditure. The present Secretary of State presides over a Welsh Office with more than 1,500 staff and is responsible for a budget of more than £240m.

The intervening 11 years have been marked by a gradual but constant accretion of powers to the Welsh Office. At first it was concerned only with the responsibilities in Wales of the

former Ministry of Housing and Local Government.

In 1965, the year the Government accepted the Hughes Parry report on the legal status of Welsh national parks, the Welsh National Library and the National Museum were added; in 1968, responsibility for the health services and ancient monuments; in 1970, primary and secondary education. Finally this summer Mr Morris assumed responsibility for section 7 of the Industry Act, under which selective financial help in industry is administered.

It is also argued that the existence of this separate administrative structure in Wales has enabled it to attract a larger share of British resources than English regions such as the North-east with the same problems of declining industry and inadequate infrastructure.

In 1971 National Health Service expenditure a head was £43.66 in Wales, compared with £41.87 in England (and much lower figures in some English regions, such as £30.47 in Sheffield and £34.56 in Newcastle upon Tyne). Similar educational standards in Wales are higher. A higher proportion of school leavers continue full-time education and the are fewer oversize classes.

The precise nature of the block grant that London makes available to any Welsh assembly is regarded as crucial by devolutionists and anti-devolutionists alike. If it takes the form of the present support grant to local authorities, and if the squeeze on public expenditure continues, the financial room to manoeuvre possessed by the assembly will be limited.

Many administrators argue that not only has Wales done well from the present administrative decentralization, but the upheaval of devolution could also jeopardize some of the gradual progress of recent years. They point out that Wales, like the rest of Britain, has just suffered the two upheavals of local government and health service reorganisation, and that to inflict a third in quick succession would do little to improve the standard of services provided by government.

Nor could the present structure of local government in Wales coast easily with an assembly in Cardiff. Many venerable Welsh institutions such as the Welsh Joint Education Committee, would also find it difficult.

Another widespread concern is that devolution should not lead to any disparity of standards between Wales and England, particularly in education, health, social services and local government.

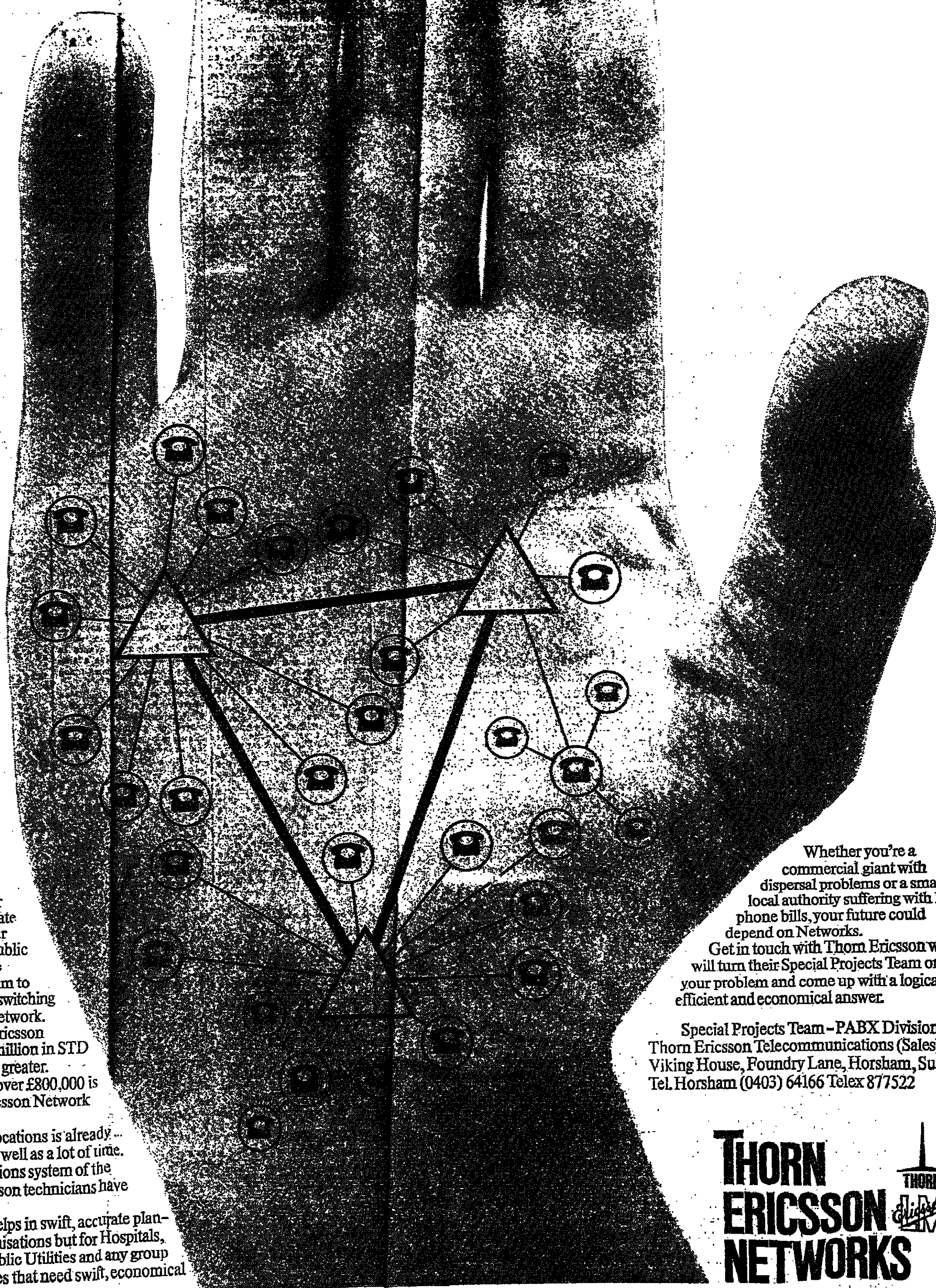
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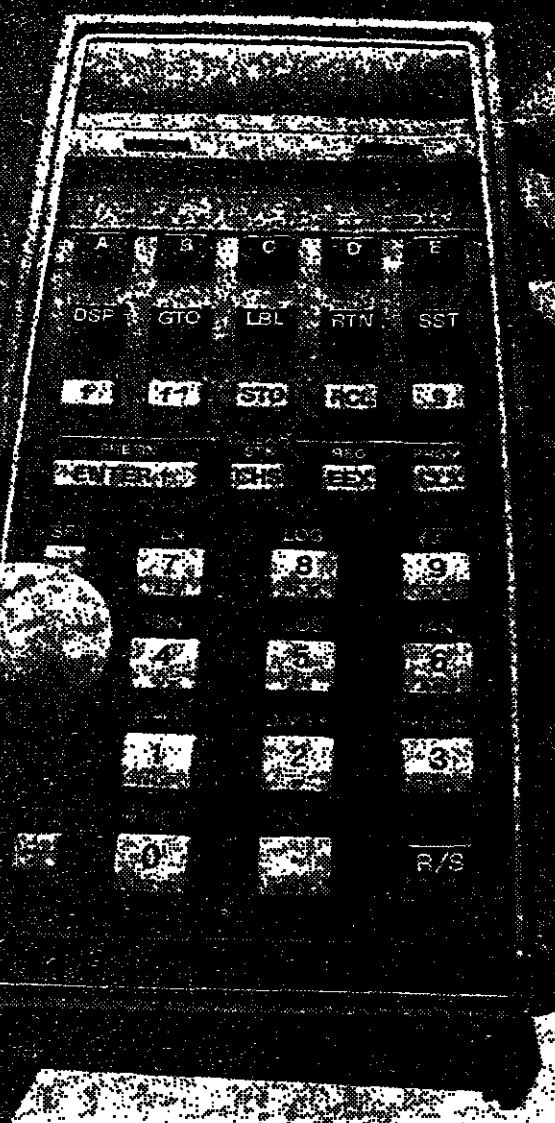
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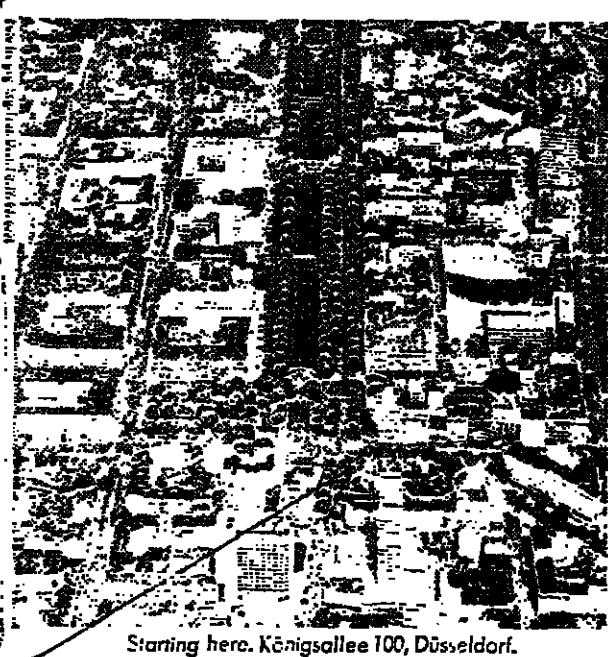
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HOME NEWS

Orthodox finance the road to 'destruction'

By Our Political Staff
The financial orthodoxy presented by men like Sir Keith Joseph and embraced by the Conservative Party would lead to an unparalleled act of national self-destruction, Mr Wedgwood Benn, the Secretary of State for Energy, said at a Labour Party meeting in London yesterday.

"What we are being told by those claiming financial expertise is that we should ruin the nation's industry and financial services to preserve the financial system," he said. "When the rules of economics and finance dictate policies which are nonsensical and destructive, then the rules must be questioned."

The ideology of monetarism had a false simplicity which masked "its absolute destructiveness". It tried to persuade people that it was in the national interest to dismiss teachers, social workers, nurses and local government officials, and to close even more factories.

He believed the crisis facing Britain was not one of money but of unemployment, under-production, closures and cut-backs.

"The answer lies in replacing destructive market forces by planning to rebuild our industries, by greater democracy so that decisions are founded on practical experience, and by the extension of our public services, public investment, public ownership," he said.

In a speech on Saturday Sir Geoffrey Howe, opposition spokesman on Treasury and economic affairs, strongly criticized the Government's policy of "punitive" taxation for those with the highest incomes.

"The Chancellor has probably seen his income tax revenues shrink every five years by around £100m per annum simply as a result of emigration of those who would be paying over 50 per cent marginal tax rate. This is almost certainly a gross underestimate of the complete tax loss."

Planned law will give dockers a 'stranglehold'

By Our Political Staff

The Government's proposed legislation on dock work would give the dockers and the Transport and General Workers' Union the ability to grip Britain by the throat, Mr Barney Hayhoe, MP for Hounslow, Brentford and Isleworth, said.

Opposition spokesman on employment, suggested yesterday. He said at Bournemouth that Mr Foot, the Secretary of State for Employment, seemed intent on delivering such power on a legal platter "into some of the least responsible of trade union hands".

The proposed extension of the dock labour scheme is also bitterly attacked in a report, *Threat to Our Lifeline*, published today by Aims for Freedom and Enterprise, which said: "Never before has a minister of the Crown taken such grave risks with the nation's vital supplies of food and raw materials."

Under the government proposals, it says, not only independent ports but parts of the road haulage industry, meat and poultry trade, sea and dried fruit trade, and warehousing and cold storage industry, will be forced to replace many of their workers with registered dockers.

"Britain's 32,416 registered dockers are the most feared group of workers in the country because they are the most privileged. They rank far above a coalface miner or a boardroom mogul for under the National Dock Labour scheme they have an absolute monopoly, with entry barred. On top of that, they are the only ones of Britain's 25 million work force whose jobs are guaranteed for life."

The report calls for royal commission to tackle the "tangled crisis" in the docks and to "disentangle fact from prejudice, present need from historical hangovers".

Action could also depend on whether the permitted number of teachers were being employed or whether there was known to be a cutback in staffing as a matter of budgetary policy. Evidence of teacher unemployment would be considered, as would any attempts to achieve greater employment or to avert cuts in staffing standards by local negotiation.

Mr Frederick Jarvis, general secretary of the union who said that more than 1,000 teachers were now unemployed, added that parents would be given notice of the teachers' intention if children had to be sent home.

Continued from page 1

economists grew up in the Department of the Environment, the Department of Trade, Industry, and Prices and Consumer Protection (which share a common economic section). Their number also increased in the Treasury to 12 by 1970.

Sir Alec Cairncross, in the spring 1968 issue of *Public Administration*, listed the functions of the Government's economic advisers as economic forecasting, intelligence and research, and the provision of policy advice "apart from a number of odd jobs like writing speeches, attending international conferences, copying with other economic advisers, and trying to recruit more economic advisers".

He described economic forecasting as their most important "operational role", and it is in that area that they have been the greatest degree of scepticism, both within Whitehall and outside, about their achievements. Indeed, their ever-growing numbers in Whitehall appears to have been matched, year by year, by a decline in the performance of the economy.

One seasoned Whitehall observer said last week:

"Their absurd forecasting approach has led to a desire for certainty which is unobtainable. The GES has managed to reduce the economy from a system of ideas to a



Wagner event: Friedelind Wagner (left) daughter of Siegfried and granddaughter of Richard Wagner, with Hanne-Lore Kuhse, a soloist, during rehearsals for the first British performance of Siegfried Wagner's *Der Friedensengel* last night. Diary, page 16.

State control no cure, Mr Crosland says

By Martin Hockley
Political Staff

No sound social or economic case has been made out for a massive nationalisation programme, Mr Crosland, Secretary of State for the Environment, said in a speech published today as a Fabian pamphlet.

Growth did not require rapid and wholesale nationalisation, and such a programme in Britain would not cure the underlying weakness of British industry, he said.

"A mixed economy is essential to social democracy. For while a substantial public sector is clearly needed to give us the necessary control of the economy, complete state socialism is without question incompatible with liberty and democracy," he said.

Public ownership was one of a number of instruments available to government for dealing with excessive monopoly power, or consistent under-investment, or a failure to plan a national resource in the interests of the community, as in the case of oil, minerals or development land.

"It is a useful weapon in a socialist government's armoury, and each of the specific nationalisation proposals in the British Labour Government's present programme can be

justified on its merits", he said.

People should take seriously the fears about the growth of state power, "especially given the penchant of some socialists for the continual spawning of giant new institutions under centralized control. We should never forget that a change from private control to state control is socialist only if that control is democratic."

"We should not be in the business of creating endless giant Leviathans manned by armies of bureaucrats." In his speech, given last month to a seminar of members of the Costa Rican government, he also said: "We must not subscribe to the fallacy that some ideal socialist society can be said to exist, of which blueprints can be drawn, and which will be ushered in as soon as specific reforms have been achieved."

On social democracy in Europe, he said: "Our creed is 'equality with liberty'." He believed the counterpart of the success of social democracy in postwar Western Europe had been the failure of communism.

"The communist threat has been decisively turned back", he said.

Social Democracy in Europe, by Anthony Crosland, Fabian Tract 438 (Fabian Society, 11 Dartmouth Street, London SW1H 9BN, 37p).

Teachers may end cover for absent colleagues

The National Union of Teachers, angered by rising unemployment among its members, decided on Saturday to support teachers who refuse to cover for absent colleagues for more than three days which are known in advance. Such action would have to be put to a vote in schools and to receive a two-thirds majority from union members on the staff.

Action could also depend on whether the permitted number of teachers were being employed or whether there was known to be a cutback in staffing as a matter of budgetary policy. Evidence of teacher unemployment would be considered, as would any attempts to achieve greater employment or to avert cuts in staffing standards by local negotiation.

Mr Frederick Jarvis, general secretary of the union who said that more than 1,000 teachers were now unemployed, added that parents would be given notice of the teachers' intention if children had to be sent home.

Where the accused has pleaded guilty the panel would be called together before the judge or magistrate passes sentence, which would be postponed for 48 hours. The panel would discuss possible solutions acceptable to the offender and his victim.

The scheme is seen as being particularly appropriate in dealing with offences against property. The offender could offer to make restitution, such as by repaying the value of the goods stolen or by repairing the damage caused. Alternatively the panel could decide that he should perform unpaid work for a charity or community project nominated by the victim.

Proposal to give victim of crime say in sentence

By Our Legal Correspondent

A scheme enabling the victim of a crime to have a say in what sentence the offender receives should be tried in England, an MP has suggested to the Home Secretary. Mr Robert Kilroy-Silk, Labour MP for Ormskirk, in a letter to Mr Jenkins proposes a "mediation panel" consisting of the offender, the victim and an independent third person.

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The feeling in Whitehall is that the GES is unlikely to expand significantly in the next few years. Its functions, however, may change. In a farewell article in *London's Evening Review* in January 1970, shortly after his retirement as head of the GES, Sir Alec Cairncross cast a broader look at the problems of government by economists, particularly the connection between administrative functions and national economic performance.

His suggestion has yet to be taken up by his former colleagues, but given the degree of public and political concern about the size and remuneration of the Civil Service, and its alleged deleterious effects on industrial performance, that could well become an area of concentration in the future.

Further pay curb needed, union leader says

By Our Labour Staff

More than 100,000 civil servants will be told today that if the country is to overcome its economic difficulties another income policy will be necessary after the Government-TUC £6 limit ends next July.

In a consultative document sent to his members Mr William McCall, general secretary of the Institution of Professional Civil Servants, says that "the crucially important role of a continuing incomes policy which applies effectively to the whole community cannot be denied."

The document emphasises that no policy can succeed without consent, but as time goes by that consent becomes increasingly difficult to obtain.

Doubt cast on identity parades

Weaknesses in picking out suspected criminals from identity parades or police "mug shots" are claimed in an independent television programme being screened tonight. The programme will show from special research that many people, after being in close contact with a man posing as a criminal, could not identify him later and in many cases picked the wrong person.

The research was carried out by the Tavistock Institute for Granada Television's programme *World in Action*, which has investigated the accuracy of recall of witnesses to crimes and will pose the question whether identification parades are reliable.

In one test 68 people were asked individually to wait in a room with a Mr X. Later they took part in an identification parade at which Mr X was not present. Forty-six correctly said he was not there, but 22 picked out a man.

Homosexual campaign

More than a thousand people attended a rally organized by the National Campaign for Homosexual Equality in Trafalgar Square, London, yesterday.

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مكتبة الامم المتحدة

WEST EUROPE

Civil war 'inevitable' if crisis causes Lisbon Government to fall, Foreign Minister states

From Michael Knappe

Lisbon, Nov 23

Revolutionary Council is due to meet in emergency session tomorrow to consider the emergency question of who should command the Lisbon military region.

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anted it clear they will not

accept Captain Lourenço and

have forced the Revolutionary

Council to rethink the matter.

The administrative and techni-

cal units in the city are the

most staunchly left-wing in the

Army. On the other hand, most

of the region's combat troops—

the commands and the coastal

infantry batteries—have an-

nounced their backing for the

change of command and they in

turn have been supported by

the Northern military command

and General Otelo, the com-

manding officer of the com-

mandos and a leading anti-

leftist, gave a television

interview making clear his

backing for the Government.

The Northern command has an-

nounced its complete support

for the Government.

Although it nominally has

one minister in the Government,

the Communist Party is con-

tending that the Government's

strike action is tantamount to

resignation and is demanding

the formation of a new pro-left

Administration. However, Dr

Maria Soares, the Socialist

Party leader, has refused an

invitation from the President

to hold talks with the subject

with the Communist Party.

The sixth Government—which

consists primarily of moderate

officers, Socialists and Popular

Democrats—has forced a show-

down with President Costa

Gomes backing for its author-

ity. On Thursday, it announced

that it was suspending its ac-

tivities until the President guar-

anteed it suitable military

support.

In effect, it is demanding

that the President, as Chief

of Staff of the Armed Forces

should dismiss General Otelo

from his position as com-

manding officer of the com-

mandos and the internal security

command. Under the unpre-

dictable General Otelo, the com-

mandos have been notoriously

unreliable in maintaining law

and order. They failed to inter-

vene recently when thousands

of demonstrators besieged the

Prime Minister's residence

and members of the Constituent

Assembly at the assembly

building.

Under the compromise

reached on Friday, General

Otelo was to retain command

of Copcon but give up his other

post as commander of the

Lisbon region, which the latter

going to Captain Vasco

Lourenço. This would have

brought all five military regions

under the control of moderate

officers. To placate the left, the

Revolutionary Council aban-

doned plans to set up a new

military intervention unit, lifted

the suspension of the

communist-dominated fifth divi-

sion of the armed forces, which

handles information and prop-

aganda, and took steps towards

furthering the leftist concept

of introducing political assem-

bled with the rejection of Captain

Lourenço, however, the com-

promise appears to have failed

and a showdown again seems

inevitable.

Communists 'preparing takeover in Portugal'

From Our Own Correspondent

Paris, Nov 23

Major Melo Antunes, the Portuguese Foreign Minister, has expressed the conviction that civil war threatened in Portugal. "Time is now working against us," against socialism, against the left.

If the present Government fell, it would break apart. A civil war could lead to a new form of fascism," he declared in an interview to the left-wing weekly *Le Nouvel Observateur*.

What was happening at present was that some leaders did not have the necessary firmness to govern and the Communist Party was preparing a takeover.

Both in the Army and in Portuguese society, there were communist plans for the systematic disorganization of existing structures, while small groups gained control of key positions; but for the time being, the Communists did not wish to overthrow the Government.

The most profitable tactics for them were to create a climate of tension, terrorize the country, paralyse the state, until one day the country would be completely exhausted and disorganized. When effective government ceased, the second phase of the communist plan with the power to take over would be fulfilled.

The only hope was for the Government to regain the political initiative and recover control of the armed forces.

Italian Christian Democrats urged to bring themselves up to date

From Peter Nichols

Rome, Nov 23

Signor Benigno Zaccagnini, secretary of the governing Christian Democrats, tonight firmly rejected allegations that he was leading them too far left. But he called for a new spirit to give authority to the party in its dealings with the Communists.

He was addressing the first meeting of the Christian Democratic national council since its dramatic July sitting at which he emerged as the new secretary. What he said tonight—and he clearly intends his report to be a basic policy document for the months up to the next national congress—will be debated for the next two or three days.

The course of this debate will almost certainly provide the answer to the crucial question of where the Christian Democrats see their future.

The party was deeply shocked by the Communist advances in the summer, narrowing the proportional representation of the two parties to no more than a point or two. As usual in Christian Democratic affairs, the first result was a split in opinion; but, as is not so usual in Christian Democratic affairs, the factions no longer have so much leeway for intrigue and procrastination.

Public events are reminding them of this basic truth. Yesterday the trade unions set December 12 as the date for a general strike in industry and agriculture. Italian airports will be largely paralysed to-

morrow by a strike of ground staff and pilots. On December 2, schools and universities throughout the country will be closed by strikes.

The present Government, drawn from Christian Democrats and Republicans, today reached its first anniversary and has passed the average length of Italian governmental life, but in an atmosphere far removed from governmental stability.

Signor Zaccagnini was therefore rising tonight to a formidable challenge. He enjoyed the advantage of having been placed in a post which he had not sought, which is said already to have given him a stomach ulcer and which he tells his friends, at the next national congress, he then hopes to hand over to a party in a healthier state than that in which he found it.

Signor Zaccagnini's lack of political ambition gives him a freer hand and he is aware of this advantage. "More than on most other occasions," he said tonight, "you can speak of a period of transition."

At the moment, however, even that would be difficult. Some of the old leaders of the party are against their secretary and intend removing him if they can; but he feels that he has the backing of the party's rank and file. And the average Christian Democrat, he feels, is anxious to express a Catholic and democratic view which is not necessarily reactionary.

Tonight he sincerely praised the past performance of a party

which has been in power practically since the war. But he saw dangers for it in becoming simply the conservative element in Italian life. Such a decision would mean "the end of our party as a popular movement, cutting it off irrevocably from its traditions and from the better part of its natural base in Italian society."

He envisaged, moreover, the Roman Catholic connexion in a totally different light from the past. "Italian society in this period seems to need, perhaps more than in the past, the political activities of Catholics of firm democratic principles," he declared.

But Signor Zaccagnini did not see this Catholic contribution as a field of unquestioning support of the party. "For broad sections of intellectual opinion, for the young, for the workers, the initial relationship between Christian Democracy and the Catholic hinterland seems to have been reversed. These forces—with their exuberance and impatience—seem to place themselves in some way, particularly in social matters, in the position of an advance guard, or of stimulus and of pressure on Christian Democracy."

For all the self-effacement of Signor Zaccagnini, his secretaryship will undoubtedly be of great importance to the future of the party. He is trying to convince his colleagues that they must attempt to return to the party's fundamental principles while at the same time finding an interpretation of modern requirements.

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which has been in power practically since the war. But he saw dangers for it in becoming simply the conservative element in Italian life. Such a decision would mean "the end of our party as a popular movement, cutting it off irrevocably from its traditions and from the better part of its natural base in Italian society."

He envisaged, moreover, the Roman Catholic connexion in a totally different light from the past. "Italian society in this period seems to need, perhaps more than in the past, the political activities of Catholics of firm democratic principles," he declared.

But Signor Zaccagnini did not see this Catholic contribution as a field of unquestioning support of the party. "For broad sections of intellectual opinion, for the young, for the workers, the initial relationship between Christian Democracy and the Catholic hinterland seems to have been reversed. These forces—with their exuberance and impatience—seem to place themselves in some way, particularly in social matters, in the position of an advance guard, or of stimulus and of pressure on Christian Democracy."

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WEST EUROPE

Demonstrators call for release of Corsican leader

From Charles Hargrove
Paris, Nov 23

The "three days of action" staged by the Committee for the Liberation of Corsican Patriots, an organization grouping a number of autonomist movements, ended this afternoon with a demonstration at Aleria, on the east coast of the island.

This is the place where two policemen were killed last August in a vicious battle with a group of autonomists at a vineyard owned by a former settler in Algeria. Dr. Edmund Simeoni, the autonomist leader, is now in prison on a capital charge for his part in the affair.

The authorities feared that the Aleria demonstration might lead to disorders. Reinforcements of police and troops were sent to the island last week to deal with any emergency and the prefect warned the organizers that he would tolerate no unrest or damage to property.

At the last moment, tension was heightened by a bomb explosion in Corte, the ancient capital of the island and one of the centres of autonomist agitation. The bomb badly damaged the liberation committee's headquarters which had formerly housed the Corsican Regionalist Association, a group dissolved by the Government after the Aleria shooting.

This attack was the fifth in a month against autonomist leaders and organizations, and seems to be the work of a group called Justitia et Libertas, which threatened to sabotage today's meeting.

In fact the Aleria meeting was conducted in an orderly fashion. About 1,500 people gathered in the small square heard a succession of speeches demanding the release of Dr. Simeoni and the recognition of Corsican rights.

They waved Corsican flags and carried placards with the

picture of the imprisoned autonomist leader. The police kept conspicuously out of sight throughout.

Dr. Max Simeoni, the leader's brother, spoke from a lorry. He accused the Paris authorities of trying to divide the ranks of the Corsican patriots through "false appeasement measures" and of creating such underground organizations as Justitia et Libertas which had caused bomb outrages.

The first of the three "days of action" was marked by a work stoppage of 16 hours on Friday. Almost all the shops in the island drew their blinds and some public services were disrupted.

Meetings were held in Bastia and Ajaccio yesterday and a telegram to President Giscard d'Estaing demanding "respectfully but firmly" the release of Dr. Edmund Simeoni.

The trial of Dr. Simeoni before the State Security Court, the "tribunal de l'Etat", might "satisfy" but is "incompatible" to the spirit of justice. There was never on the part of the imprisoned patriots any desire to undermine national unity or to disturb the peace and blood flow. There was at Aleria last summer the determination to ensure that the scandal ceased after all other means had been used in vain.

Twelve persons are now charged in connection with the wine scandal involving the manufacture of local "wines" without any grape juice. It was this scandal which touched off the Aleria shooting incident.

In Paris yesterday 300 Corsicans marched to the Place du Carroussel to the Ministry of Justice to demand the immediate liberation of Dr. Simeoni.

An effigy of the Minister of the Interior was burnt in the street. It was the first time that Corsican autonomists had demonstrated in the capital.

Coalition loses power in San Marino

From Our Own Correspondent
Rome, Nov 23

Gloom has settled over the political life of the proud republic of San Marino which has witnessed the overthrow of its government amidst accusations of corruption.

Two and a half thousand of the republic's 20,000 citizens are civil servants and their wages take half of the national budget. The ruling Christian Democrat is reported to have said that "after 20 years" power, the presence of the client phenomenon cannot be excluded but the Christian Democrats object to the charge of corruption.

The coalition Government of Christian Democrats and Socialists has now had its mandate formally ended by the Grand and General Council, the republic's Parliament.

President Nyerere to seek increased Dutch aid

The Hague, Nov 23—President Nyerere of Tanzania

arrived here today from London for a two-day state visit during which he is expected to discuss increased Dutch aid and the situation in southern Africa with Dutch leaders. He will stay at Queen Juliana's royal Soestdijk Palace, near Utrecht.

In his talks with Mr. Andreas van Agt, the Dutch Prime Minister, and Mr. Marijke van Stoel, the Foreign Minister, Dr. Nyerere is likely to review the situation in Angola, Rhodesia and South Africa also. Tanzania is the biggest recipient of Dutch aid in Africa, coming fourth after Bangladesh, India and Indonesia in total aid grants.

The Dutch Government has earmarked 65m guilders (about £11m) for Tanzania next year—a 20 per cent increase on 1975.

King's speech hints at reforms

Madrid, Nov 22.—The following is an unofficial translation of the speech by King Juan Carlos at his investiture as transmitted by Reuters.

In this hour charged with emotion and hope, filled with sorrow but also with the joy of living through a historic moment, I feel the Realm with a full sense of my responsibility before the Spanish people and the future of this nation. I feel the weight of the crown which for me is implied in the observation of the laws and the respect of a century-long tradition, and I feel the duty to defend the unity of the Realm.

As King of Spain, a title conferred on me by historical tradition, by the fundamental laws of the Kingdom and by the legitimate desire of the Spanish people, I have the honour to give you the first message from the Throne, which comes from the bottom of my heart.

An exceptional figure has passed into history. The name of Francisco Franco will be an epoch in Spanish history and a milestone to which it will be impossible not to refer in order to understand the history of our contemporary political life.

With respect and with gratitude I wish to remember the figure of him who for so many years under the heavy burden of his crown, conducted the government of the State. His memory will be for me an incentive to the duty of loyalty which I assume in the service of the State.

Great and noble people know how to respect the figure who has dedicated their lives in the service of an ideal. Spain will never be able to forget him who as a soldier and as a statesman consecrated all his life to her service.

I know well that Spaniards will understand my emotions at this moment but the execution of one's duty transcends circumstances. This was taught me by my father and it has been a constant concern of my family which has wished to serve Spain with all its strength.

Today a new stage starts in the history of Spain. This stage alone which we shall advance together has its starting point in peace, in work and in prosperity: the fruit of a common and collective will and strength. The monarchy will be the faithful guardian of this inheritance and will attempt at all moments to maintain the closest relationship with the people.

The institution which I personally binds all Spaniards together and today I call upon you all in this transcendental moment, is the duty of all to serve Spain. Let all understand with generosity and nobility of spirit that our future will be based on a true consensus of national concord.

The King more than any Spaniard is called upon to do this duty and to remain true to this purpose. In this sense, I affirm that my life and all my actions will be devoted to the carrying out of my duty.

who united, pacified and made glorious all the peoples of Spain. I wish to be able to act as a moderator, as a guardian of the constitutional system and as the promoter of justice.

Let no one believe that his cause will be forgotten, let no one expect an advantage or a privilege. Together we can do everything if to all we give a fair opportunity. I wish to see the Spaniards united, as they are preserved, taking justice as my guiding light and knowing that the service of the people is the end that justifies all my actions.

I am totally conscious that a great people like ours, which is at the height of its cultural development, of its economic progress and of its material improvement, has a responsibility which is as great as mine. I accept it as my duty to hear, channel and stimulate these demands.

Spain is a collective enterprise which involves everyone. Its greatness and strength depend on the will of us who form it. But the greatness and strength of a nation, where order, liberty and justice have best flourished are those which have most profoundly been able to respect their own history.

Justice is necessary for liberty and for the progress and greatness of a nation. It is the cornerstone of a just system, of one where public as well as private activities will be subject to the same laws.

A just order, equal for all, permits the recognition, within the limits of the Kingdom and of the State, of the diversity of the peoples who constitute the sacred reality of Spain. The King wishes to be at once the king of all and the king of each one in his own culture, history and tradition.

All must be at the service of the great community which Spain embodies: the Crown, the armed forces, the state organizations, the world of labour or business, or professionals, the private institutions and all citizens constituting together a firm framework of rights and duties. Only in this way can we be strong and free at the same time.

This dynamic and changing hour demands a creative capacity which will be the fruit of the efforts of the Spaniards, facing the differing and necessary opinions which give richness and variety to this Spanish people, this people so full of qualities and so generous in giving itself entirely when it is called upon to realize its noblest aspirations.

The Crown understands that it has a duty to recognize and learn from the values of the spirit of the people.

As the first soldier of the nation I will ensure that the armed forces of Spain, who are an example of patriotism and discipline, will enjoy the efficiency and strength which our people require.

The intellectual world, science and letters, arts and technology, have today as always a great responsibility to society. This developing society which is searching for new solutions needs guidance more than ever. In this task my support and stimulus will not be lacking.

In brief

20-hour balloon flight a record

Angers, Nov 23.—Two Englishmen—Mr. Don Cameron, aged 38, of Bristol, and Major Christopher Davey, aged 40—together with Comte Jean Costa de Beauregard of France, have set a world endurance record for a hot air balloon flight, which lasted 20 hours and 30 minutes.

They landed near here after flying across the Channel from Dorset. Mr. Cameron last year became the first man to cross the French Alps by hot-air balloon.

Award for dissident
Bernes, Nov 23.—The Swiss-based Freedom and Human Rights Fund last night made its biennial £1,800 award to Mr. Kromid Lyubarsky, a dissident Soviet physicist, detained in labour camps and prisons since 1972.

Hopes for Cyprus
Athens, Nov 23.—Greek leaders are hoping that, in the wake of Turkey's defeat last week in the United Nations General Assembly, international efforts may be resumed quickly towards a solution of the Cyprus problem, observers said here.

Genoa kidnapping
Milan, Nov 23.—The son of a wealthy industrialist, the Signor Giovanni Schifano, aged 20, was kidnapped in Genoa early today. His car was blocked by another car and he was seized by four men, armed and masked.

Military pilgrims
Rome, Nov 23.—Ten thousand soldiers from 21 nations marched into St. Peter's Square today for an outdoor Mass celebrated by the Pope for their international military pilgrimage.

Shot student dies
Rome, Nov 23.—Signor Pietro Bruno, aged 18, a leftist student injured when police opened fire yesterday during a demonstration over the Angou war, died of his injuries today.

OVERSEAS

Beirut fighting spreads as rival militias ignore ceasefire call

From Paul Martin
Beirut, Nov 23

Efforts to arrest the new outbreak of street war in Beirut failed today when rival militias ignored a ceasefire call and fought over a wide area of the capital. The weekend of fighting, which was a pall over the country's Independence Day anniversary, claimed at least 50 dead and 90 wounded.

Rocket, mortar and machine-gun fire made most roads and streets unsafe and paralysed the city.

Rival bands of gunmen made hit and run raids into opposing neighbourhoods, kidnapping residents and looting or burning empty houses. Along the line separating the Christian and Muslim areas, fires raged out of control in buildings hit by a mortar. Two firemen who tried to put out a blaze in a building in the city centre were murdered. One was shot by a sniper and the other had his hand and an ear cut off by gunmen.

The latest outbreak of heavy fighting engulfed all the troubled areas of Beirut and spilled over into residential districts. The fear that the present deterioration cannot be checked both sides will renew their race for territory threatening the remaining "neutral" suburbs.

Clearly, the breakdown is a serious setback for Mr. Rashid Karami, the Prime Minister.

British offer to build Saudi port

Riyadh, Nov 23.—Mr. Callaghan, the British Secretary of State, said today that British experts today produced a report which they could build an "instant port" for Saudi Arabia.

They explained to Arab officials that the British could build a port in 18 months, a new Red Sea port to relieve congestion now clogging the harbour at Jidda.

The presentation was on the second day of Mr. Callaghan's visit to Saudi Arabia. The British Foreign Secretary is seeking to initiate discussions on projects to capture for Britain a major share in the \$60,000m (about £8,000m) which Saudi Arabia is spending on oil terminalisation over the next five years.

The British plan is for a port at Sharm Beheh between Jidda and Yanbu. It would involve setting up a complete new township for some 2,500 people, the experts offered to provide advisory services to assist in reducing the congestion at Jidda.

Another project in which the British companies offered assistance was in construction of the new Jeddah University, a cherished plan on which hundreds of thousands of dollars are being lavished.

Shaikh Hisham made clear that Saudi Arabia wanted to simplify foreign business deals as much as possible, through one person a unit rather than a collection of unrelated firms.—Reuters.

The Crown also understands that it has the fundamental duty to recognize social and economic rights. The aim of these rights is to ensure that the Spaniards, in the different levels of education and in the control of the national wealth, are able to exercise all their liberties.

Because of all this we wish to proclaim that we do not want a single Spaniard without work and that work must allow all to enjoy their personal and family life with children enjoying along with them the fruits of culture and prosperity.

A free and modern society requires the participation of all in the centres of decision by the media, in the different levels of education and in the control of the national wealth.

It is a communal enterprise and a government task to make this participation every day more true and more efficient.

The King, who is and feels himself to be profoundly committed to the cause of the Spaniards, expresses his most respectful consideration towards the Church. The Catholicism, deeply rooted in our people, comforts Catholics with the light of its teaching. The respect of human dignity, which is the basis of the principle of religious liberty, is an essential element in the harmony of our blood if it is to be a true and free society.

I have full confidence in the virtues of the Spanish family which has always been the firm and enduring cell within society. I am also certain that our future is promising because I have proof of the qualities of the new generations.

It is very gratifying to me at this time to greet the dignitaries of other nations who have come to attend this ceremony. The Spanish Monarchy, in which a universal desire for peace and understanding, desire for justice and political interests which allow nations to organize themselves in accordance with their own idiosyncrasies.

Spain is the original nucleus of a great family of brother nations, a duty to stimulate everything that leads to a community of interests, to an interchange of ideas and to mutual cooperation.

The idea of Europe would be incomplete without taking the Spaniards into account and without considering the actions of many of our predecessors. Europe must count on Spain and on the fact that Spaniards are Europeans. It is a ambitious and noble task to understand this and for all of us to draw our own conclusions.

I would not be faithful to the tradition of my blood if I did not recall that for generations as Spaniards we have fought to restore the territorial integrity of our soil. With full convictions, the King takes on this objective.

Let us remember that the Realm and the people, I ask for God's help for us all as I speak from the Cortes to the Spanish people. I promise you firmness and prudence. If new solutions need guidance more than ever, in this task my support and stimulus will not be lacking.

If we remain united we will have won our future. Long live Spain.

Mr Driberg has heart attack
Nairobi, Nov 23.—Mr. Tom Driberg, a former British Labour MP, was admitted to hospital here today after suffering a heart attack.

Mr. Driberg, who is 70, arrived here yesterday to attend the World Council of Churches assembly. He became ill in the night. Today a hospital spokesman said his condition was satisfactory.—Reuters.

Dr Waldheim encouraged
Damascus, Nov 23.—Dr. Waldheim, the United Nations Secretary General, conferred for four hours today with President Assad of Syria and said Assad was "very helpful" in getting Arab-Israeli peace negotiations under way.

who had hoped that he could press ahead with his political efforts to end the conflict. Over these hopes have now been dashed. This prompted him to warn Lebanese on their Independence Day that the country is on the brink of total collapse.

Although M. Couve de Murville, the former French Prime Minister, pursued his peace mission, there was little optimism that it would achieve any breakthrough in the search for peace in Lebanon. As if to drive home the obstacles he faces, unknown gunmen fired a mortar at the entrance of the French Ambassador's residence where he is staying. The blast injured two security men.

Throughout the day political leaders arrived at the residence for talks with the French peace envoy. Among them was Mr. Pierre Gemayel, the leader of the right-wing Phalangists, who had to be brought to arrest in an armed troop carrier because of fighting along the approach roads.

The rapidly spreading fighting around the capital closed the main highway to Damascus and intermittently cut the access road to Beirut. Palestinian guerrillas, who control this road, have hijacked convoys of lorries transporting shipments of household goods being flown out of the country by fleeing foreign residents.

One leading travel firm has reported that it has done three years' worth of air freight business in the past month.

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Schlesinger warning on 'ostrich syndrome'

From Fred Emery
Washington, Nov 23

Dr. James Schlesinger, whom President Ford recently dismissed as Defence Secretary, today renewed in strident terms his criticism of cuts in defence expenditure.

He said the nation was "indulging an ostrich syndrome" in refusing to see the advances the Soviet Union was making in expanding its worldwide forces.

In his first public statement since leaving office Dr. Schlesinger declared that "the American people are being deceived by a desire for a flight from reality."

He declined the opportunity afforded him to express support for Mr. Ford's candidate for reelection. He noted only that he was "always ready to support the Republican candidate."

He noted, as differences, that there were some "very important issues, central issues to the security of the United States" that needed clarifying.

Dr. Schlesinger said that while the United States today was still number one in defence, the trend against the West was starkly adverse. The great problem facing the western allies was "the very powerful ground and attack forces of the Soviet Union."

There is some question whether the forces of the United States and her allies are equal to a military challenge.

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Former Harvard professor and adviser to presidents takes militant view of his UN mission

Mr Moynihan under fire again

From Peter Stafford
New York, Nov 23

Mr. Daniel Moynihan, the American representative at the United Nations, is at the centre of a new row, this time over the militant view he has of his job. It is not the first time he has been in such a position, but now he finds a lot of people ranged against him, not only in the various delegations, even in the State Department.

His own instinct was to resign with *éclat*, and he called a press conference last Friday to announce the fact. But at the last moment he changed his mind and drove home the obstacles he faces, unknown gunmen fired a mortar at the entrance of the French Ambassador's residence where he is staying. The blast injured two security men.

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anean you discover state after state claiming less stable and less friendly towards the United States."

"These are not circumstances in which the United States should be self-absorbed or follow the inclination to do less simply because the threat has increased to be less as a result of détente."

The Soviet Union was taking the initiative. "If you look at the situation in Portugal, if you look at the attitude towards the communists in France and Italy, if you look at the pressure that are being applied to Norway, if you look at what has been happening in Berlin in which the Soviets clearly are whittling away the obligations they have entered... then in Europe you have serious causes for concern."

He said the Russians had increased their military establishment to over four million men. "Today they have twice as many men under arms as we have."

He said he had in recent years produced four times as many submarines and surface warships as the United States and were producing 70 per cent more tactical aircraft.

Dr. Schlesinger cited his difference with Mr. Ford over the defence budget as "a chief substantive reason for his dismissal. However, he did not deny that he had also differed with Dr. Kissinger, the Secretary of State, over the wisdom of détente, saying only he had thought "there was value to the President to have differing points of view."

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Racist crowd brings realism to Democrats

From Patrick Brogan
Louisville, Kentucky, Nov 23

Reality came to the Democratic Party yesterday when a crowd demonstrating against the use of buses to achieve racial integration in schools marched on the convention which the party is holding in Louisville. While various candidates for the presidential nomination inside the building tried to persuade delegates of their fitness to lead party and nation, a couple of thousand demonstrators outside were kept off by a large force of police in riot gear.

The police wore gas masks and had a generator running which could spew out any necessary quantity of tear gas, and the water hoses were laid ready to use their heretofore success in stirring public enthusiasm. He missed this convention, however

Five all-round effort by Australian pack

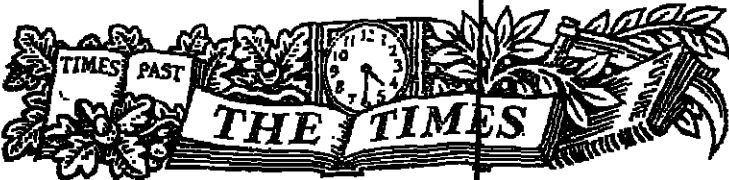
us to the Australian team.
me, at Bristol on Wednesday
with hamstring trouble.

by Cooper. Clayton plundered Moseley heel and Cooper even Thomas to score in the corner. Hill scored tries for Josselyn and Dobie kicked three conversions and a penalty.

AUGUST over in a wedge forwards from a tapped angle. Cooper dribbled through from Unsout and won a contest with Hargrave. Gern and Gern ran 30 yards, selling dummies anybody who cared to buy or Hake latched another penalty.

SEPTEMBER. He also missed the first try. Harry, one of Nottingham's forwards, went off with a broken leg early in the second half.

OCTOBER. S. Dobie, R. Smith, Swain, A. Mill, A. Thomas, C. Hargrave, W. Heath, C. Gern,

[illegible][illegible]

European newspaper:

Building societies

a Special Report
to mark the
200th anniversary
of the movement

Busy year's results better than ever

by Margaret Stone

There is an old adage that building societies always do well in times of uncertainty and financial worry. It certainly appears to be true of 1975. As Britain struggles in a recession with both high unemployment and wage restraints, the building society movement is blossoming.

It is attracting more money in and channelling more money out as home loans than at any other time in the past. Within the first nine months of the year, it has comfortably exceeded the levels of its previous best year—1972, the year of the great housing boom.

The need for security and convenience apart—neither of which should be underestimated—the two reasons for the present success of building societies are their competitive interest rates and the absence of alternative investments, such as guaranteed income bonds of past notoriety. At the beginning of the year the investment rate stood at 7.5 per cent (11.9 per cent gross) compared with the 9 per cent deposit rate offered by the clearing banks.

Since then the bank rates have decreased further, stabilising at 6½ per cent between April and October when they rose to 6½ per

cent. In response to the general easing of rates, the recommended investment rate for building society investors was cut to 7 per cent at the beginning of June.

Events after the banks' decision to cut their deposit rates first to 7½ per cent and then a month later to 6½ per cent proved that the building societies do indeed attract "margin money". There was a flood of money into the societies in April, when net receipts hit an all-time maximum of £406m, which was attributable to large sums of money being switched from other sources into the building societies to take advantage of the much higher rates.

And in general terms, it now seems that building societies should no longer be regarded merely as a savings institution for those saving out of income. It remains that, but the placing of capital with societies is increasing in importance.

Welcome as any money is to the building societies, there is little doubt that this newish feature in the pattern of building society investment has to be viewed with some caution. Building societies have long lived recklessly according to one of the prime canons of lending which is that one should

not lend long and borrow who are shunting capital around in search of the best return do not easily fit into this scheme of things. As a result, building society net receipts are likely to show the building societies have been operating with unprecedentedly high levels of liquidity. The official requirement is that building societies should maintain liquidity at 12½ per cent. Traditionally it has been about 15 per cent. However, starting off the year at 19 per cent the average liquidity for the movement is now more than 20 per cent—a figure of some £400m.

One reason for this high level of liquidity is fear that the present high inflow of money into the societies could be reversed. At the present high rate of society lending, the £4,000m liquidity represents eight months' lending and is not merely a future cushion but is also intended as a reassurance to housebuilders.

That is partial explanation for the societies' decision to withhold so much money from the housing market, and is part of the long-term contingency planning of the societies. The other reason for the high level of liquidity, however, has more immediate relevance. This is the expressed desire of both the building societies and the Government not to permit too rapid an escalation in house prices.

Memories of when house prices enjoyed a boom in 1972-73 are still sharp, and although evidence is available to show that prices continued to rise strongly for almost a year after the societies began to trim their level of advances, they are still vulnerable to the accusation that they were responsible for the massive price rises.

Informal agreement has been reached between the societies and the Government that some form of quantitative controls of lending should be imposed. No absolute figure has been fixed beyond which monthly advances and commitments should not rise, but there seems to be a general if somewhat vague view that the present level of advances in the order of £400m-£500m a month should be regarded as a maximum.

The biggest strain occurred in April when the societies took in an embarrassing £406m in net receipts which nearly led to the activation of plans for a separate fund for excessive building society funds. The present level of receipts is much more comfortable for the societies and the Government.

The relationship between the societies and Government is much more relaxed than it has been at any time during the past two and a half years. The disputes about building society interest rates which characterized much of 1973 and the worrying shortfall of funds in 1974 which led to a temporary loan of £500m from the Government to the societies now belong to the past. The societies are no longer on the defensive vis-à-vis the Government and far from being aided by the

Government, it is now their turn to give some assistance to the central authorities.

Local authorities have been in the front line over the Government's attempt to cut back on public expenditure and have had their housing fund allocations curbed. Earlier in the year Mr Crosland, Secretary of State for the Environment, indicated that he wanted the building societies

to help out by taking up the likely housing commitments of local authorities.

An initial £100m was made available from the societies to local authorities through the Building Societies Association, are in the process of being distributed on a regional basis under the aegis of selected societies in those areas.

This operation created little trouble for anyone. The societies, on balance, do have stricter lending criteria than local authorities, but the first wave of borrowers forwarded by local authorities to the societies have, by and large, proved to be house owners who the societies themselves would have been happy to accommodate from the start.

However, this initial exercise in goodwill has been followed by a further request for another £100m and here there are problems. The societies this time feel that their lending criteria could well be breached and would infinitely prefer the local authorities, this time, to take the money and distribute it as they see fit.

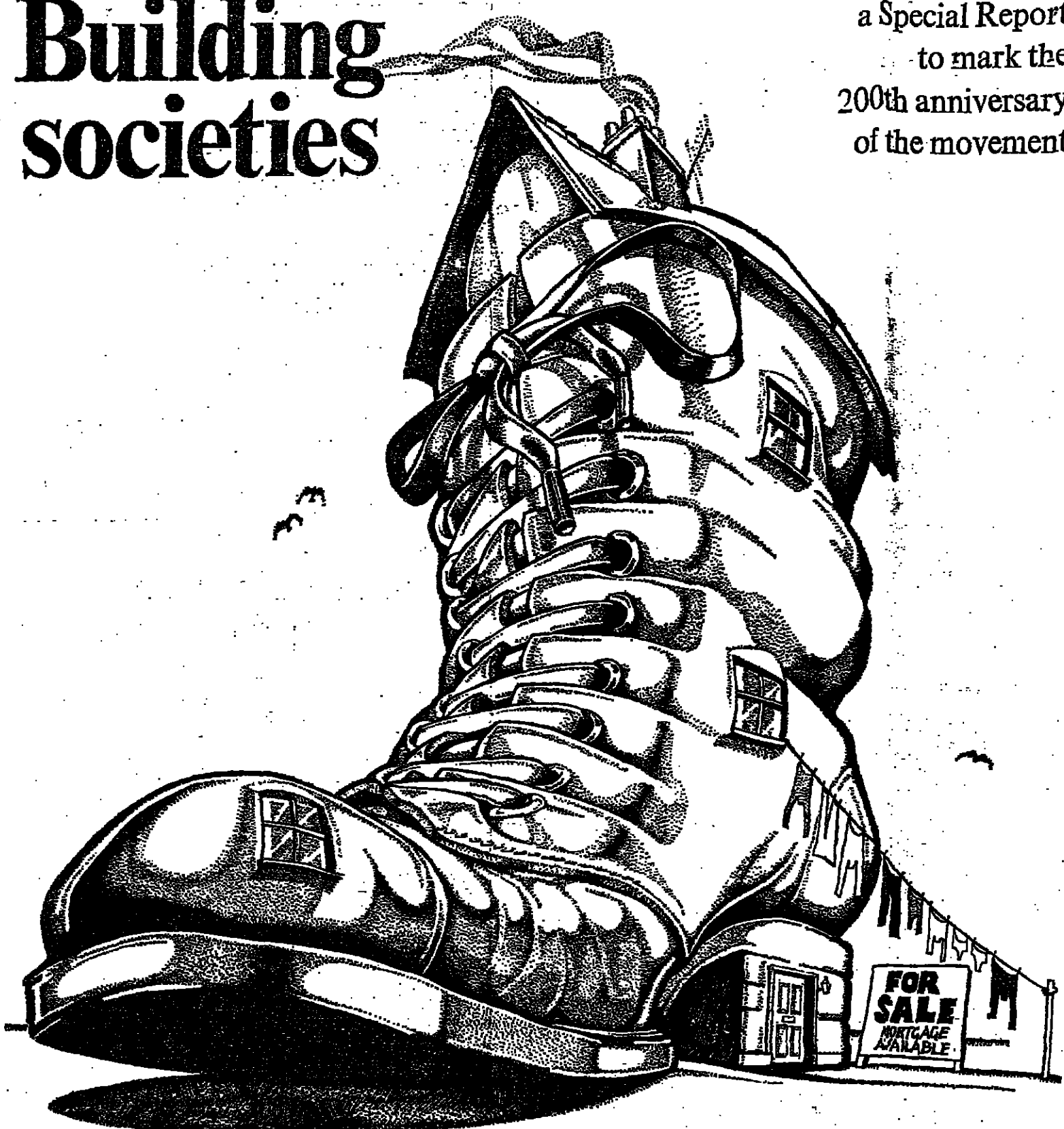
The local authorities, too, would prefer this course of action. The stumbling block is the Government, which is unwilling to see any further money being listed as representing local authority expenditure.

The fact that the Government had no objection about approaching the private sector housing finance institutions is significant. It is yet a further indication of the by now almost symbiotic relationship which exists between government and societies. Until five years ago the societies carried on their business on the side of the mainstream of economic activity in Britain today their importance is more widely recognized.

At the moment, for example, there is the Joint Advisory Committee, made up of government officials and BSA leaders, which meets regularly to discuss and align the trends of housing and housing finance. There is the Housing Finance Review Committee, a member of which is Mr Raymond Potter of the Halifax Building Society, the current chairman of the Building Societies Association.

Additionally, there are the present discussions centring on the societies' aid to local authority housing finance programmes, not to mention the regular discussions that are held with various departments such as the Bank of England, the Treasury and the Department of the Environment. So the state of play is that the societies are operating from a position of great strength. The economic situation apart and the impact this might have on people's ability to save and build up capital, the societies are happily placed. Money is rolling in, a widespread demand for housing finance is being met, and the Government is not taking the aggressive stance it took in the past.

The author is Editor, Personal Investment and Finance, The Times.



Gerry Greaves

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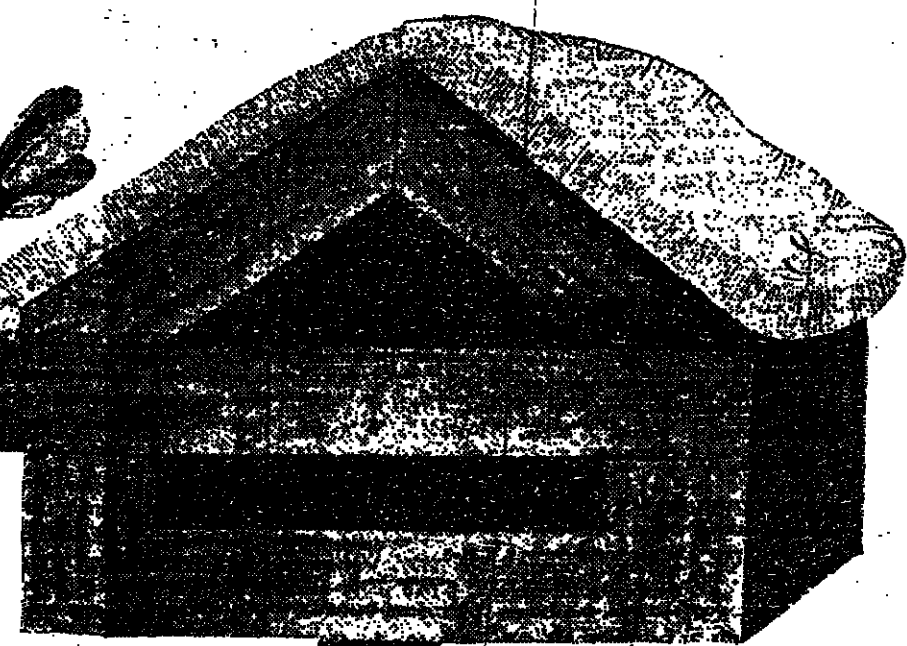
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سكوتيا للخدمات

Self-help scheme was born in Birmingham

by Adam Chambers

Even Macaulay's prodigious schoolboy would have been nonplussed if asked to name the man who invented building societies. The probability is that no one will ever know the precise moment when the building society movement was born, but there can be little dispute that somehow or other it emerged to appear in the right place at the right time.

The earliest building society records mention the formation of a society, Mr Richard Kayley's at the Golden Cross Inn in Birmingham, in 1775. Neither the time nor the place are surprising, because in the latter part of the eighteenth century the Industrial Revolution was already having a marked effect on the social structure of Britain. The original industrial growth which followed the invention of the spinning Jenny and the steam engine in the 1760s had resulted in a massive movement of population from the country to the growing urban districts of the Midlands and the North of England.

A housing problem developed such as had never been known before, and at a time when none of the apparatus of the modern welfare state had been brought into being. The men and women in the new factories enjoyed little if any protection against unemployment, sickness, old age or widowhood. The age was also one of mutual self-help, however. Friendly societies, which had originated a century before to raise funds by voluntary contribution for the mutual relief and maintenance of all members, in old age, sickness and infirmity, or for the relief of widows and children of deceased members, grew rapidly as industrialization progressed,

and it was a logical development for some of their members—particularly the new breed of factory worker with a steady job and a rising income but without capital—to think in terms of pooling their savings on a regular basis in order to buy their own homes.

Nor is it surprising that the first known building society originated in Birmingham. In 1775 it was free from any gulf restrictions and immune from the disabilities imposed on Nonconformists in corporate towns. It had long been a town of small industries, and was ideally placed for new ones because of its proximity to coal and iron, between 1740 and 1780 its population doubled.

Like most good ideas the original notion of a building society was a simple one, and Mr Kayley's enterprise was quickly emulated. Those early societies were their name to the fact that they actually did build houses. Their purpose was to provide their members, and nobody else, with homes of their own.

The members, usually numbering no more than 20, paid an agreed sum fortnightly or monthly until sufficient capital was accumulated for land to be bought and building started. Usually four or five terraced houses at a time. It was then drawn to decide the order of allocation, and the basic system was that all members continued to make their regular payments until all of them had been housed and the society formally terminated.

The growth of the new movement was rapid, and was helped considerably both by increasing economic prosperity (there was no foreign competition which entered in those days) and by the evangelical revival which,

among other things, propagated the virtues of thrift. Another factor was the Great Reform Bill of 1832, which extended the right to vote to all owners of freehold estates valued at more than 40 shillings a year. By 1836 more than 1,000 societies were in existence, but they were as yet mainly local affairs with some commonality of procedure but with little professional knowledge (many had no paid employees) and no central organization.

It was in that year, 1836, that building societies first became subject to direct supervision by the Government. The Regulation of Building Societies Act was in no sense a model piece of legislation, and was motivated largely by the Government's wish to encourage savers to use building societies rather than the savings banks, whose interest rate of 4 per cent was subsidized by the Treasury and was becoming embarrassingly expensive.

It did, however, give building societies a national identity and it appointed a barrister (later known as the chief registrar of friendly societies) to certify societies and to offer counsel and advice.

In 1845 there was a major new development with the formation of the first permanent building society—the Metropolitan Equitable. The idea again was simple, one, that a society need not terminate when its members had been housed but could continue to operate by offering a competitive rate to anyone who had money, and a few of the boldest were actually advertising to that effect in the newspapers.

Public confidence was not immediately restored, but by 1850 the number of societies had risen to 2,286 in 1900 and 1,506 by the beginning of the First World War. By that time, however, societies had gained public recognition not only as a safe haven for small savings but as an important part of the nation's capital market. During the war they gained in reputation by proving their financial standing and

security and by the sympathetic way in which they treated borrowers facing severe hardship. After 1918 the provision of Lloyd George's "homes fit for heroes" proved to be no easy matter, but it was during the inter-war period that societies came into their own as the main providers of mortgage finance. Their growth was remarkable, assets growing from £77m in 1919 to £773m by 1939. More significantly, they were largely responsible during those years for raising the level of owner-occupation in the United Kingdom from 10 per cent in 1919 to 25 per cent in 1939.

Societies were attracting an increasing volume of funds at a time when it was difficult to find secure properties on which to advance mortgages. Some took to property speculation, and in 1892 the movement suffered a shock when the largest banks, whose interest rate of 4 per cent was subsidized by the Treasury and was becoming embarrassingly expensive.

Ninety-three per cent of its mortgage assets were on loan to three of its founder's commercial companies, and he had absconded to South America. And so the law was changed again in 1894, with the effect of strengthening those societies which were financially sound and making it less easy to establish or continue those of a dubious nature.

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The author is under-secretary, Building Societies Association.

Index-linking offers an answer to troubles caused by inflation

by Roy Cox

At the present rate of inflation all fixed-interest investments give a negative "return" to the lender. To provide a real return, the saver needs a rate of interest well over 20 per cent a year.

On the other hand, a man who borrows to purchase a house receives all the benefits of the appreciating value of his house because he repays to the lender the same number of pounds he originally borrowed, which have a lower value each year inflation continues.

It is not possible for a lender to do anything about this situation, while no one is prepared to pay him a higher reward for the use of his money. As a result, building societies have been attracting a record inflow of investments.

The situation cannot continue indefinitely. Either the rate of inflation must be brought down or interest rates are likely to rise significantly. Unless building societies can find a way of protecting investors from the erosion of their capital the odds are that someone else will.

It is clearly far simpler for building societies to continue to use a straightforward increase in the rate of interest while that method remains effective. But at high rates of inflation it becomes impossible to provide a real return to investors, particularly those on high rates of tax. Also, in the case of borrowers, as the rate of interest increases, the cost of interest becomes more difficult for them to meet their mortgage repayments.

The way to overcome such an impasse is by index-linking, and there are two alternatives. One is full index-linking, as in the case of the Government's index-linked

SAYE scheme, which has a nil interest rate and a 100 per cent adjustment for inflation. The other is partial index-linking, where the medium rate of interest is used and only a proportion of the rate of inflation is taken.

Building societies would adopt a partly index-linked scheme with probably a 75 per cent interest rate and half the rate of inflation being added to the investor's capital and the borrower's debt each year.

They would offer index-linking as an alternative to their investors and borrowers. Index-linked investments would be for a fixed term of five years and many investors would prefer to continue to have their money readily available and earn a steady running yield. Similarly many borrowers would prefer to pay a high rate of interest and avoid indexed additions to their mortgage loan.

Balance is essential

It would be idle to pretend that the introduction of a scheme of index-linking for building societies is a simple matter, for there are legal and tax matters still to be resolved. Most important of all, the final scheme must strike a balance between investor and borrower if it is to be successful. Various forms of index-linking have been tried in a number of countries with varying degrees of success. The most comprehensive system of index-linking, it was introduced

in 1964 by the military government which was faced with uncontrolled spending by the previous government. A weak monetary policy and spiralling wages which led to an inflation rate of well over 100 per cent. The government index-linked most of inflation turns out to be lower than expected. The higher cost of borrowing is a stimulus to inflation when, for example, higher mortgage repayments are reflected in wage demands.

In what situation, therefore, is it likely to become necessary for building societies to introduce index-linking?

First, that would happen if unabated inflation and interest rates rose to record heights. Building societies would then be forced to raise their rates to investors which would mean increasing the mortgage rate. Many borrowers, particularly first time house-buyers, would find it impossible to meet their mortgage repayments and it would become necessary for building societies to offer them the alternative of an index-linked mortgage carrying a much lower rate of interest.

Second, if competing organizations introduced index-linking on a wide scale, building societies would need to offer index-linking to retain their investors' funds. The Government's present index-linked OAP bonds and SAYE scheme are limited in their scope and are not offering building societies to any great degree. If the Government extended index-linking to gilts, however, it would be a different matter.

The author is chief general manager, Alliance Building Society.

Institute is fundamental element in training entrants and running computer courses

The Hertfordshire-based Building Societies Institute came into existence in 1934. Its birth, many years after the groundwork for a building society movement came into being, does, however, coincide with an important development in the history of building societies.

The 1930s were an important period for the building societies. During this period the foundation was laid for the appearance of the strong national societies as opposed to the parochial societies which had hitherto dominated the scene.

The creation through mergers of societies with a nationwide coverage was activity

one of the factors which prompted the establishment of the Building Societies Institute. There was a strong need for not merely a unified code of practice, but for uniform operating standards education and training of the young men (and young women) who wished to make their careers in this grown area.

Today the Building Societies Institute is one of the fundamental elements of the building society movement. It is now known, broadly speaking, as the training and examining body for anyone who wishes to enter the building society movement and progress much beyond the basic counter work which is a feature of all building society nationwide coverage was activity

At the Institute's Farnham Hall at Ware, Hertfordshire, a series of courses is run for all ranks of building society men and women. The courses include the basic day-release scheme for the newest entrants to the movement to the seven to eight-day courses on computer technology and administration for senior staff.

The qualifications awarded by the institute reflect this wide coverage. At the top of the scale there is the diploma in membership which at the end of last year amounted to 2,119. Ordinary members of the institute total 1,699 (at the end of December, 1974) and sub-

scribing members 295. Moving up the scale, there are the 900 members of the Building Societies Institute and then the *crème-de-la-crème*, the 532 fellows of the institute. In addition to this basic work for the British building society movement, the institute is also the examining body for many of the Commonwealth countries. Last year, for example, institute examinations were conducted in places as far spread as Dublin, Lagos (Nigeria), Lusaka (Zambia), and Nairobi (Kenya).

In addition to this mainstream activity of education and training, the Building Societies Institute carries out many related operations. For example, it publishes a quarterly magazine in which original and frequently strategically different thinking by building society leaders is published.

The institute, however, is not itself a research organization. It is arguable that there is perhaps a slightly ambiguous attitude to the Building Societies Association, in effect the employers' organization of the movement. The association is currently a 'high-powered research operation' demonstrated by the new quarterly publication *Facts and Figures*, which is a masterly combination of frequently new statistics and in-depth articles about the movement.

Fortunately this potential rivalry rarely manifests itself. In the first place the BSA tends to confine itself to detailed analysis of the existing situation, as well as influencing the Government through the Joint Advisory Committee. The institute's more indeterminate brief is less grounded in immediacy, but is perhaps more concerned with futurology.

In the latest institute quarterly, for example, there are considered arguments that solicitors should be obliged to give a 20-year guarantee for a title to avoid frequent and costly searches on a property. The institute has during the past 15 to 20 years, in the same issue, considered is also requested for the idea that building societies should become much more involved in the declining rented sector.

That the two organizations should work in tandem is not surprising. They both share the same paymaster. The Building Societies Association is financed by the building societies, which also contribute £57,000 to the annual budget of the Building Societies Institute; the balance of £37,000 comes from individual members. What is heartening about the Building Societies Institute is how it resists the temptation to become a hide-bound and locked-in by tradition. The various courses and seminars it runs are under constant review and, on average, they tend to be changed every two years. Last year, for example, seminars were held on highly topical subjects such

as Marketing in Changed Conditions and Current Problems in Mortgage Administration.

There have recently been changes in the set-up at Hertfordshire and a new structure has been devised, geared towards producing policy decisions. The new committee formation and there are eight pivotal committees to review the various aspects of the institute's work.

These are eight standing committees. These include the editorial committee which supervises the institute's publications. Then there is the examining committee with the self-explanatory function of coordinating and deciding the examination syllabus and marking

M.S.

Prospects favour companies as local authorities fail on mortgages

Building societies, as might be expected, handle the largest share of all mortgage advances in Britain. What is surprising is how much the source of lending varies at the top or marginal rate of home loan advances.

In the pre-war years building societies did not have quite the same monopoly of mortgage finance; the local authorities were a far more important source of home loans. However, in the changing economic climate local authorities were quite glad to cede one of their traditional roles to the building societies, which at one time were supplying nearly 95 per cent of all home loans.

Since the mid-sixties the situation has changed once again. In 1965 the societies accounted for only 72 per cent of home loans, but by 1972 they supplied 93 per cent of all home loans. Since then, however, the percentage has declined from

93 per cent to 81 per cent last year to 80 per cent in the first quarter of this year, the latest available statistic.

The penetration of building society funds is, in the main, a reflection of the availability of mortgage finance from the societies. In the mid 1950s the societies were not flush with funds and building society loans were fairly hard to obtain. The alternative then for home buyers was to wait several months for their turn to come on the building society quota, or to look elsewhere for mortgage finance. Conversely, when the societies were almost overflowing with spare cash to pump into the housing market in 1972, they shared the lion's share of 93 per cent of the total of all home loans.

It is a fair assumption that the building societies' share of home loans will rise again this year, despite the first quarter information that

they only supplied four fifths of all home loans. The societies are able to lend more money at present than they have done in the past, despite voluntary restrictions, while local authorities have almost shut their shop as sources of home loan finance and insurance company rates have become progressively more expensive than building society loans.

The present curtailment in local authority spending has hit their home loans department severely. Mr Anthony Crosland, Secretary of State for the Environment, has called not merely for an embargo on any expansion on this front but requested reductions in the amount available for lending.

One consequence of this has been the £100m that societies were asked to make available to potential local authority home loan customers. This has been accomplished but in such a way that the lending totals will be credited to the societies rather than to local authorities.

It is rather more interesting to ponder the outcome of the request for a further £100m from the societies to local authorities. This advance the societies are quite willing to make with the important proviso that the local authorities take the money en bloc and arrange for its distribution.

The reasons for this attitude are obvious. The first £100m satisfied prospective purchasers whom the societies were happy to accommodate according to the second £100m is more likely to be earmarked for potential housebuyers who would not meet the stricter lending qualifications that the building societies require compared with local authorities. The difficulty is that the Government is reluctant to see any increase in local authority spending, which would be manifest if the second tranche were arranged on these terms.

It is by a different token that insurance company home loans are shown to be on the decrease. Like local authorities, their share increased in the mid and late 1960s when building society finance was rationed. But the terms and conditions of insurance company loans mean that they

are rarely the first source of mortgage finance that the prospective borrower tries to obtain. Indeed, this is an attitude deliberately encouraged by the insurance companies which do not necessarily wish to see fairly small sums in relation to their total portfolio tied up in long loans at interest rates which over the term would not necessarily be competitive.

Most insurance company loans are made on expensive houses to higher rate taxpayers. The terms have always been in excess of the building society recommended rate and, for example, are in the order of 13-14 per cent at least compared with the 11 per cent charged by societies.

Basically, the facility exists as a favour to help insurance brokers who are responsible for channelling other business to an insurance company. During 1974 these loans accounted for 7 per cent of all home loans (by value) compared with 4 per cent in 1972 and 12 per cent in 1965. However, in the first quarter of 1975 the proportion had dropped to 5 per cent.

Insurance company loans as the primary source of finance should not be confused with the more widespread practice of using an insurance company to provide a topping-up loan in addition to the principal building society loan. Last year £13,000 was the maximum loan which many societies were able to offer and this is clearly below the mortgage requirements of borrowers in some parts of the country, particularly the south and south-east.

In these circumstances the building societies are well placed to accede and indeed recommend that the borrower should obtain a topping-up loan from an approved insurance company. It is not the cheapest form of finance. The insurance company will not only charge as high as 15 per cent for these little loans but will also require the first loan to be financed through an endowment mortgage, at 11-11 per cent, with the cover arranged through the life office. Commission-hungry building societies have not been unwilling to accept these conditions.

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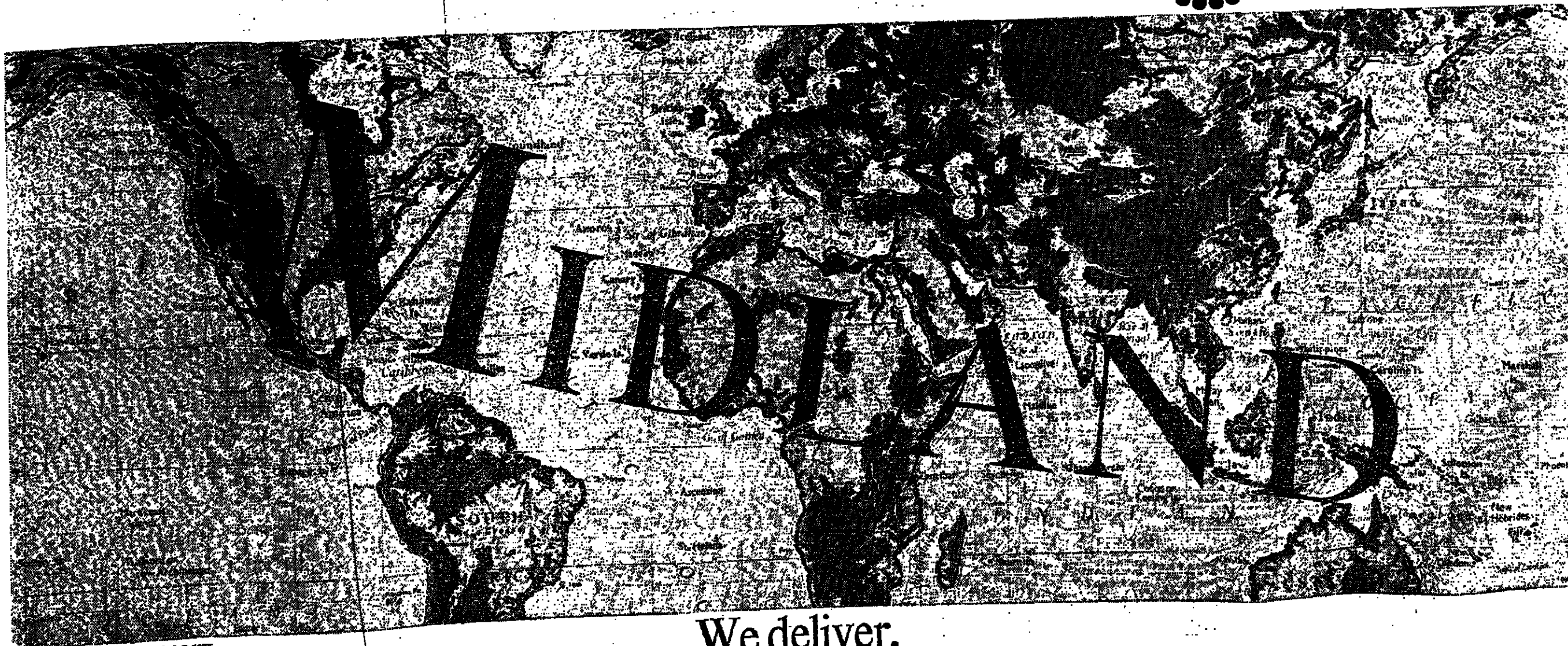
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The significance of Mr. Ronald Reagan's bid for the Presidency

DR NYERERE'S WARNING

Britain's powerlessness now to force issues in Rhodesia has, apparently, enabled the President to resume normal relations. He broke with Britain—and a long quarrel ensued—when he thought Britain could have used force to overturn the Smith regime after UDI. Manifestly this would not now be feasible even if the Labour party were more warlike in 1975 than it was in 1965. But

The odds must still be on his winning the nomination. Only a party with a death wish would discard a sitting President, even if not an elected one, for a candidate on the extreme of the political spectrum. It is possible that the Republicans do have such a death wish, and if Presi-

Mr Reagan is not likely therefore to be the next President of the United States. That will be no cause for regret among America's friends and partners. The first duty of any President must obviously be to serve the best interests of the American people. But so long as the United States remains a world leader in the second requirement of greatness, it is of national importance that no President has managed to satisfy since the death of John F. Kennedy: to touch the imagination, to inspire trust beyond the boundaries of America. It is improbable that Mr Reagan would meet the first obligation. It is certain that he would not meet the second.

On President Nyerere's analysis if the West cannot make Mr Smith give way, the guerrillas will eventually win owing everything to the East. He might be asked, which East—Russia or China—for this is in dispute in Angola. In any event, the implications of his warning

It remains the plain duty of all who can do so to work for a peaceful transfer of power. To back the militants now would be to torpedo the last hope of it, and détente as well. The odds may be heavily against success, but it must always be right to work for a peaceful transition. Dr Nyerere will be glad if his fears prove wrong. It is to be hoped he will meanwhile use his authority to stay the hands of those who are unwilling to give Mr Nkomo his chances—who actually want a solution by war, whatever the suffering and disasters entailed.

Let it be faced: this rag, tag and bobtail collection of amendments to the Government's declared programme for the session provides no plausible basis for the minority parties or groups to make common cause against Mr Wilson and the Government in an attempt to force a general election. At a time when Mrs Thatcher and the Shadow Cabinet are coming under increasing pressure from high and low in the party to get off the hook of Mr Heath's 1968 commitment to a Scottish assembly, why should SNP and Plaid Cymru imagine that they have more to gain from a

Minister, to threaten a dissolution to allow the country to choose; and if the Government says tomorrow that it would take any defeat on the Address as a justification for calling another general election, all opposition party managers would be acting as unpaid Whigs to make sure that the Government survived.

The time will perhaps come when the Government cannot live on, but it is not here yet. In days will be numbered by dissensions within itself, not by implausible coalitions patched up too soon between the opposition parties.

Is there a coalition in the House?

Tomorrow night, therefore, her Majesty's "most dutiful and loyal subjects" in the Commons will assuredly "beg leave to offer our humble thanks to Your Majesty for the Gracious Speech which Your Majesty has addressed to both Houses of Parliament". When that motion has been carried, the House will turn to amendments, which begin with the word "but" and try to add something.

Although it is of prime importance that our system benefits offenders involved, it must also obtain the confidence of the public. This does not mean we need harsh sentences for large numbers of offenders. Being held in penal establishments now is a wide acknowledged scandal, but we need a just system.

Yours faithfully,
NICHOLAS HINTON,
Director, National Association for the Care and Reserment of Offenders,
125 Kensington Park Road, SE11
November 21.

November 19.

Manassas, Va.

10th Edition

individual's own response to his illness," and that "their first responsibility remains the traditional duty to the patient," is to ignore the fact that doctors often have a special obligation to the wishes of the patient or the patient's family to their conception of medical ethics. It is a matter more of artificially hastening death by refraining from artificially prolonging life, and here is an issue where the proponents and opponents of passive euthanasia, the Voluntary Euthanasia Society and the Human Rights Society are in favour of healthy people making a written declaration giving prior consent that life should not be maintained in certain circumstances beyond a certain point, and the practice could surely give medical

For several centuries the civil power in the United Kingdom has been able to request the assistance of the armed forces, and this right has been exercised on various occasions by magistrates and others; but those who on any occasion have made that request have not thereby obtained control over the army. That control is

Another clause which refers to the army, 55(b), also deals with purely technical matter, providing power to the parliament of Northern Ireland to give, within its own

corner, it was to celebrate the jub.

ing the propensities of their hearts. It is no

province. The Icelanders demand a 200-mile limit for deep sea fishing off their shores, which the British Government regard as unfair.

All men are equal except that some are more equal than others

Yours faithfully,
JOHN LEWINGTON,
23-24 Market Place,
Penzance.

How have they been rewarded for their loyalty? In 1947, Zionism along with Communism, was made a criminal offence for which the death penalty was applicable. Persecution of the 150,000 Iraqi Jews led to their mass emigration, and they are

It is to the credit of the noble Iraqi people that, despite the persecutions of the authorities, they remained friendly to the Jews and went out of their way to help them in the face of defamation and reprisals. In the meantime, thousands of Moslems and Christians were re- torized, tortured and liquidated.

antagonism on 1. Test baiting

November 21

A Times Profile

Enrico Berlinguer

The man with an aura



Few politicians can have tried harder than Enrico Berlinguer to keep personality off the public stage in order to give every prominence to policy. His failure to do so is partly due to the success of his policies: and yet, at the same time, these policies themselves look challenged in importance by the emergence of a personality, unlike any other in Italian politics, or, for that matter, in the international communist movement.

The office he holds has its own fascination. He is third in the line of secretaries of the Italian Communist Party since the war. He is Sardinian like Antonio Gramsci, certainly the most fascinating of his predecessors, and quite unlike any of the others. The leadership of the western world's largest and most inventive communist party naturally gives a man an aura: there is a difference in quality from the leadership of other parties and this mystique, or for that matter, in the international communist movement.

"Today, after the June elections, one elector out of three votes communist and about one half of Italian citizens live in regions or provinces or municipalities where the communists have a share in administration." He has also spent much of his time since the elections impressing on his followers not to let their enthusiasm make them lose their heads. He is anything but intransigent himself and if there are hints of satisfaction in his behaviour since the elections he largely remains his old self, patient, careful, low in key, smiling rather more easily but with the same familiar touch of suffering.

It would be an understatement to call him unorthodox. At times he appears to be reacting purposely against the flamboyance of style and expression which normally form part of an Italian politician's performance. He would probably see flamboyance as detracting from the precision which he values and from the effect of seriousness which he has little trouble in giving. He almost never makes personal attacks on his enemies. One notable exception was his angry reaction to Christian Democratic attempts at exploiting the Portuguese crisis, especially the move by Senator Amintore Fanfani, then secretary of the Christian Democratic Party, to withdraw its delegation of observers from the Communist Party's last national congress. He felt the gesture to be just that: a ges-

ture and not a reasoned comment on an involved situation. And gestures of any kind do not come easily to him. He will answer a cheering group around him with a smile and the raising by a few inches of his right hand which will as likely as not be holding a burning cigarette.

His friends maintain that he is not only putting forward policies but also giving a lesson in political education with this subdued and essential manner. These assertions further complicate the problem of what proportion of his party's success is owed to his personality or his political message. Or whether the eleven million or so communist voters support communism because they are convinced communists (the party membership is 1,700,000 an increase of 13 per cent in four years) who would vote for the party in any circumstances, or because they are following sympathizers attracted by Berlinguer's presentation of an Italian form of communism, or just jaded citizens too genuinely shocked by the shortcomings of the Christian Democrats to go on voting for them any more.

He likes long walks and listening to the music of Bach and Wagner. Gluck would be more appropriate as his favourite composer as the reformer who cut back the extravagances of the opera, seeking to make the exact meaning of the words count for more. He is not a particularly effective orator by Italian

standards. He has the Sardinian slowness of speech, his own personal impression of determination, but a tired determination, lightened at times by an almost ingenuous quality which adds effect to what he says.

His economy of obvious emotion is telling in a more restricted company. One night at supper at a communist club in L'Aquila, a group of young communists brought huge problems to him. They earnestly asked how they were to answer criticisms about the Soviet Union, Czechoslovakia, allegations that the party's structure had become coldly bureaucratic instead of democratic, and eagerly awaited the reply of the man with the aura. He clenched his hands together over his half-empty plate, smiled sadly and said: "and do you think that the party is cold and authoritarian?" The response was immediate: "No! No!" He said: "Well then..." with a slight movement of the hand, just a hint of a flourish, and left the matter at that. The message was clear. Their own faith must help them convince others, and it was expressed in an extreme form of anti-rhetoric. If he were a fictional character he might have been invented by a composite author made up partly of Graham Greene and partly of Harold Pinter.

On another occasion, the question was put of how the executive (in terms of government) could be made to work better, an important question facing any would-be reformer. He replied: "Put communists in it", and that was that. No, he did not want to change the widely criticized system of two houses of Parliament with identical functions. He could just envisage greater powers of coordination for the Prime Minister; certainly no greater powers for the President.

Berlinguer was born on May 25, 1922, at Sassari in northern Sardinia. For a man so precise and—at his work at least—so orderly, his apparent age is extraordinarily variable: sometimes he carries his 53 years with a positively boyish air. At other times, when he is tired, he looks physically spent, a look of pained exhaustion in his eyes, a cigarette burning between his fingers and an even more accentuated droop of his narrow shoulders. He then looks precisely enough as if he has passed too many years behind a desk. He is set to smile but the normal set of his face is serious and preoccupied: it is deeply lined but, as an enthusiastic lady photographer pointed out, "the lines are exactly in the right places".

The impression of physical suffering (the wife of another politician said that he looked at first sight "like an ascetic monk from centuries ago") and of inner torment make him attractive to women. It is no irrelevant compliment. The Communist Party owes much of its success to the votes of the women who, in the past, traditionally supported the Catholic Party. Berlinguer is one of the few Italian politicians to have grasped the extent of the change in outlook in Italian women. They instinctively sensed the meaning of the country's development much more acutely than the men and were looking for new political loyalties.

It is not only the women, however, in Italy who are attracted by the face of a man who is famous and looks a victim. Italians are free of the Mitty complex which is widespread in the Anglo-Saxon world, the unhappy man who compensates for his obvious insignificance by dreaming of hero. The Italian male is the exact reverse. He begins from the supposition that he is splendid but the injustices of life have failed to recognize this, have oppressed him, denied him wealth, given him an impossible wife or in other ways forced his splendour under a bushel. And so a few low-victim may well attract him more than a flamboyant and glib traditional leader.

The rhetoric of the Fascist era has also enhanced for many people the virtues of a manner devoid of pyrotechnics. And Berlinguer is certainly not unconscious of the value not only of his own personality but of the use to be seen avoiding its cult. It makes him appear still more serious and dependable. A public opinion poll published in mid-October showed him comfortably ahead of every other politician in popularity and in inspiring confidence: another remarkable tribute came from the city of Alba, the centre of truffle trade, which is heavily Christian Democrat, but this presented him with the biggest white truffle unearthed this year.

His wife, Letizia, remains strictly away from his public and political life. This is not in itself unusual with Italian politicians. Very few have wives who make any contribution to their husband's political careers except by leaving them free of household worries, so nobody much bothers with them. But with the Berlinguers there is a difference. Curiosity actually exists about their family life: about what sort of a woman is behind the party secretary and how they manage to combine his dedication to the party with her practice of Catholicism. They have four children and live in a flat rented by the party in one of Rome's upper class residential areas. Photographs of them, together with rare. There is a joke at party headquarters that she does not enjoy cooking and that life at home is very different from the orderliness of the office of the secretary of the party.

The traditions of the family have been unusually formative in Berlinguer's case. He likes to talk about his father and grandfather, both of whom

belonged to Sardinia's prosperous but democratic intelligentsia. The grandfather who was also called Enrico set a pattern which the grandson has followed in several ways. He was a lawyer with nine children. Even without the family's degree of Spanish nobility (experts in this field estimate that the Communist Party secretary could call himself "Don Enrico" if he wanted to, but he is neither a count nor a marquis) Enrico the elder would have been isolated from the workers' movements. He offset this danger by involving socially humble friends in his plans. In 1899, he formed a group of labour exchanges and evening classes for workers. He had a cobbler and a peasant among his close associates. The lawyer was a republican (there are letters to him from Garibaldi in the family) and socialist in a somewhat paternalistic way. The link between his leadership and this more unsophisticated follower was provided by one of the lawyer's three croppers, Gavino Urali, who is now recognized as an influential figure in the Sardinian workers' movement at the turn of the century.

Another strong influence was the anti-Fascism of his father, and his father's immediate family circle. He grew up as a child, he says, in this atmosphere of opposition to Fascism. Apart from his father, there was his uncle, Stefano Siglienti, who was married to his father's sister (and was in their house that he met his wife), and also his mother's father, Giovanni Loriga who specialized in the study of the health problems of workers, a field in which the Communist Party's specialist is now Giovanni Berlinguer, younger brother of the party secretary. Their mother died when they were young and their father married again and from all appearances family relationships were straightforward and affectionate.

During Fascism, Mario Berlinguer worked at his profession of criminal lawyer and was a leading figure in the Italian Action Party, which he distinguished from the Sardinian Action Party as an indication of his unprovincial outlook. Two of his friends—Siglienti and Togliatti—joined Badoglio's second administration, while Mario Berlinguer became first Deputy and then a Senator for the Socialist Party.

The young Enrico looked for something more positive than anti-Fascism and found it among his worker-friends and in Karl Marx which he read in his uncle's library. He was a communist at the age of 21. On January 12, 1944, a bread riot broke out in Sassari and Berlinguer went to prison accused of instigating it. The police report of the time described him as "a convinced communist student of Leninist theories who after the fall of Fascism was one of the founders and promoters of the Communist Party in Sassari". It further speaks of him as head of the youth section and "fanatical" in his beliefs. The report may have exaggerated as he was released from prison after a hundred days when the judge acquitted him. He says of himself as a young man: "From the time I was a boy I was moved and led by a natural feeling of rebellion towards almost everything around me. When I was 13 or 14 I no longer recognized any authority, religion, the state, social conventions, everything that I had been taught until then I rejected and subjected to a fearless and objective criticism."

His career was now clear. He went first to Milan and then to Rome to direct the Communist Youth Movement. In 1945, at the fifth national congress, he was elected to the central committee. From 1949 to 1956 he was secretary general of the youth movement and from 1950 to 1953 president of the World Federation of Democratic Youth, which gave him his international experience.

From the beginning he was preeminently a party man. He directed the party's central school and in 1958, after serving as vice-secretary in Sardinia, he entered the secretariat in Rome and then the national executive responsible for the party's organization. He experienced both internationally and in the party offices the bleakest period of the cold war. His capacity for work and his methodical dedication were quickly noticed. He came to Parliament late, and in fact was elected deputy secretary of the party 10 months after he took his seat in 1968. He was elected deputy secretary at the twelfth congress and in March 1972, at the thirteenth congress, took over the leadership from the ailing Luigi Longo.

He says that as a young man he was initially shocked when Togliatti chose the constitutional route to power and joined Badoglio's government. His own initial policy is now based firmly on the use of constitutional means. He abhors the violence of the extreme left and makes no secret of the indirect support he has given to various centre left coalitions because he is strictly opposed to the idea that communism could pluck the prize from a regime. He sees the extreme right as the gainers in the event of collapse. He sees the party's future as principal element in a broad coalition and the Chilean experience reinforced him in his view that an understanding with the Catholic forces was essential.

Peter Nichols

© Times Newspapers Ltd. 1975.
Tomorrow Signor Berlinguer discusses his political philosophy with Peter Nichols.

It's got to be Gordon's

مكتبة الامم المتحدة

Brian Alderson
Call it right and left for energetic biographies—these are the books of the year. Brian Alderson's *Galileo* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about Galileo's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Myra Blumberg
Many novels have no so much joy that I keep turning to them. Myra Blumberg's *The Great Gatsby* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about Gatsby's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

A. S. Byatt
I don't care for campus novels—as well as the university, simply as setting, it doesn't really work. A. S. Byatt's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Peta Fordham
This, surely, has been the year for occultists and mystics reading and looking for enlightenment. Peta Fordham's *The Secret History* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the secret history, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Edward Caddy
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Edward Heath
This is Edward Heath's sailing autobiography. It is a book that not only tells us about Heath's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Shirley Conran
The Bible of the seventies. Shirley Conran's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Superwoman
What she wants for Christmas is a Superwoman. This is a book that not only tells us about the Superwoman, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Sidgwick & Jackson
This is Sidgwick & Jackson's sailing autobiography. It is a book that not only tells us about Sidgwick & Jackson's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Jacky Gillott
For those who are looking for a new pleasure, Jacky Gillott's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Brian Glanville
Dr Jack Kahn and Lester Solomon's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

William Haley
Others besides the Virgin should read Dr Glanville's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Richard Holmes
Since Benoit's sparkling account of the growth of feminism in France, *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Philip Howard
Discrimination has become a dirty word, and sometimes a euphemism for the ugly and the evil. Philip Howard's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Tim Heald
Nick Tarrant gave me my first job in journalism, and comes first in my very small pantheon of journalistic heroes. Tim Heald's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

John Higgins
The exotic viewed through caustic eyes is at the heart of John Higgins's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Bevis Hillier
David Lodge is an academic who has edited a book of essays on the Virgin. Bevis Hillier's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Tom Hutchinson
I love a good revelation. And that usually means the kind of biography which reveals the flesh beneath the fame. Tom Hutchinson's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Derek Parker
General nosogony rarely gives pleasure or even offers much real information. Derek Parker's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Peter Timiswood
An excellent year for the novel, Peter Timiswood's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Philip Toomey
Three books I enjoyed in 1975 all have India as their setting. Philip Toomey's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

David Piper
The closing volume of Anthony Powell's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

David Pryce-Jones
The year of Michael Bulgakov for me. David Pryce-Jones's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Joseph McCulloch
I have no difficulty this year in choosing my favourite book. Joseph McCulloch's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Iverach McDermid
It is down to us to escape the trap of the Virgin. Iverach McDermid's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Jan Morris
This is a very different world. Jan Morris's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Robert Nye
The last book of new poems I have read this year is Robert Nye's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Paul Theroux
The best book I read this year, one I wish I had written myself, was Paul Theroux's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

David Williams
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Michael Wolff
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The Crossman Diaries
Ready December 8—the most controversial book of the year. The Crossman Diaries (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

The Cecil King Diary
His candid, inside view of politics at the top during the Heath government. The Cecil King Diary (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

The Road to 1945
Achim for Paul Addison's study of one of Britain's most truly reforming governments. The Road to 1945 (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

The Times Anthology of Ghost Stories
The best from thousands entered for the competition in The Times. The Times Anthology of Ghost Stories (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Helen Bradley
Her first two Miss Carter books have sold over 100,000 copies. Helen Bradley's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Jonathan Cape
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The Cecil King Diary
His candid, inside view of politics at the top during the Heath government. The Cecil King Diary (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

The Road to 1945
Achim for Paul Addison's study of one of Britain's most truly reforming governments. The Road to 1945 (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

The Times Anthology of Ghost Stories
The best from thousands entered for the competition in The Times. The Times Anthology of Ghost Stories (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

Helen Bradley
Her first two Miss Carter books have sold over 100,000 copies. Helen Bradley's *The Virgin* (Corgi, £3.50) is a masterpiece of clarity and insight. It is a book that not only tells us about the Virgin's life and work, but also about the nature of scientific discovery. It is a book that is both a pleasure to read and a source of knowledge. It is a book that is a true gift to any reader who is interested in the history of science.

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§ Forward bargains are permitted on two previous days.
Regional prices have now been amalgamated into the main list.

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Regional prices have now been amalgamated into the main list

DRIVERS IONAS

fresh
fear
presses

Chrysler

18 nations
protection

Secret

Rambouillet
spirit and
currency spectre,
page 22

Fresh trouble at Leyland feared as Lord Ryder presses for higher output

By Edward Townsend
British Leyland, faced with a clear warning from Lord Ryder, chairman of the National Enterprise Board, that productivity must improve, could become involved this week in a damaging confrontation with employees who have been told to work harder or go home.

The new, tougher policy was outlined to workers at the important North factory at Leyland in the weekend letter from Mr Desmond North, the plant director. He warned them that unless output and productivity improved, part of the Cowley operation might be closed.

The North works was running at a significant loss, he said, "and all our futures are in jeopardy".

Leyland management would appear to have been under considerable pressure from Whitehall to produce more cars and stem unofficial strike action.

This culminated in Lord Ryder's surprise personal intervention in the company's internal labour relations last Thursday, his first day in office, when he said that unofficial strikes must stop.

He added that there would have to be a major increase in

productivity if the Government was to continue to inject public funds into the company.

About £250m has already been made available after acceptance by the Government of the proposals in the Ryder report, and the next tranche of £100m is due to be paid in June.

The threat of a withdrawal of government assistance is not considered realistic by some MPs or by the unions.

The controversial motor industry report from the trade and industry subcommittee of the Commons Expenditure Committee which accused the Ryder team of thinking of public money as "confetti", concluded that "to carry out the threatened withholding of a tranche could well ensure the squandering of the sums already expended".

Such a move, the committee said, was not a practical possibility.

But with British Leyland's latest financial losses of more than £100m due out shortly, Lord Ryder and the Government are under pressure to improve the state-owned company's performance.

Lord Ryder's comments last

week, in which he also announced plans for a moving in Birmingham next month between Leyland shop stewards, union officials and management, which he is to address, brought accusations of "unhelpful intrusion" from Midlands union representatives.

There were also angry reactions from shop stewards to Mr North's letter at Cowley. Shop-floor leaders claimed that output was geared to line speeds over which the workers had no control. Seward's will be meeting today to consider what action to take.

R. W. Shakespeare writes: Hopes of an end to the dispute which has halted production of Jaguar cars and seriously disrupted the output of Mini's 320 press operators who are on unofficial strike from the company's car body pressing factory at Castle Bromwich.

The week-long stoppage has made 4,500 other British Leyland workers idle and could, if it continued, lead to many thousands more layoffs from today. Mini output at Longbridge, Birmingham, will have to be stopped unless supplies of body shells are restored.

Court Line payments 'last straw' for agents

By John Gair
Repayments to victims of last year's Court Line failure will be the last financial straw for many travel agents and tour operators, a leading travel trade figure said this weekend.

Holidaymakers' money held by agents at the time of the collapse is thought to total about £3.5m to £4m. Today is the deadline for retailers to make their payment declarations to the Association of British Travel Agents.

By the middle of last week well over £250,000 had been accounted for by fewer than a quarter of the agents involved.

An ABTA spokesman said at the weekend, however, that many more declarations had been received and that this morning's post should bring the response to around 90 per cent.

One explanation for the delay is that agents have only recently returned from their annual conference, at which the repayment issue was announced. However, a severe shortage of funds is bound to be affecting many of them.

"November and December are notorious months when the money goes away," Mr Cliff Jones, a leading retail agent and member of the association's national executive, said. "I think these repayments could push some agents just that bit too far and in some instances will be the last straw."

Members of the trade were concerned about agents who were "sailing close to the wind", he added.

In the last 12 months there had been only a marginal wage increase, but the very low level of sales had been a "very effective cutting exercise".

"We have got far too many", Mr Jones said.

If an agent did go under, the association would have to meet its liability to the public from its common fund. It has already done so in four cases, but this presents the travel trade with yet another problem.

There is only about £50,000 in the fund and the association is about to demand another levy from its already hard-pressed members.

State industries plan group

By Maurice Corina
Industrial Editor

Leaders of the big state industries have apparently reached agreement on the need to build up their own representative organization, helped by a small secretariat, to complement the work of the Confederation of British Industry.

It is felt that some formal association will promote a better understanding in Whitehall of their common problems and add to the quality of advice available to government about industrial issues.

Earlier this year chairman of nationalised industries decided to examine the question of representation of the public sector, including how to develop a loosely knit, monthly lunch club arrangement. Several state concerns are markedly enthusiastic about the creation of a joint organization, including the Post Office Corporation, which has left the CBI.

Moves to improve inter-state industry consultation came at a time when the CBI is known to be quietly re-examining its structure. Both Lord Plowden and Sir John Partridge have been sounding out opinion among members, and this exercise has included talking to state industry leaders.

Some reforms are expected to be recommended before Lord Watkinson, CBI president-elect, takes over next year from the existing president, Sir Ralph Bateman.

It is likely that Lord Plowden

and Sir John will want to establish some new working relationship with the public sector. Any state enterprises are at present in CBI membership, but not all are satisfied, given the obvious difficulties of the CBI leadership in representing small, medium and large scale private companies, let alone the public sector.

The search is on for a new director-general for the CBI to succeed Mr Campbell Adamson. One name being canvassed is that of Mr Richard Marsh, chairman of British Rail and well liked in CBI circles. Mr Marsh has another year to serve of his present appointment, but how he views the present speculation about the CBI job is not known.

Among industrialists there has been some support for a new council of industry, with a structure clearly separating small business interests, bigger private companies, and the state sector.

It is felt that this could develop considerable influence and might even embrace the trade unions, who already sit alongside the CBI on the National Economic Development Council.

There is no doubt that businessmen want to see the development of further expertise in the representing of their joint interests; but this will cost much more money and the employment of more expert staff.



Lord Watkinson, president-elect of the CBI.

Recently the Association of Chambers of Commerce have agreed to work more closely with the CBI and the Devlin plan for creating a confederation of British business is still a gleam in some eyes.

Tenneco bid puts value of £6.9m on Harro

By Our Financial Staff

Tenneco, the American conglomerate, has emerged as the company interested in acquiring Harro Industries, the Birmingham-based manufacturer of replacement parts for the motor trade.

A yesterday Tenneco announced it was bidding 40p for each Harro share, which puts an overall value on Harro of £6.9m. This compares with a closing price for the shares of 31p on Friday, but is substantially above the 25p share price just before Harro revealed it had received an approach from an unnamed bidder nearly three weeks ago. Harro's board, which controls 7 per cent of the equity, is supporting the bid.

Tenneco already has substantial interests in the United Kingdom. It holds just under 50 per cent of chemical concern, Albright & Wilson, and it controls such companies as David Brown Tractors and Globe Petroleum Sales.

In the United States, Tenneco is active in the market for replacement parts for the car trade through a company called Walker Manufacturing, which also operates in Europe through the Netherlands-based Tenneco Walker BV.

Its replacement parts interests in the United Kingdom lie in Tenneco-Walker (UK), which has two factories manufacturing components in Belfast and Burnley.

But in comparison to Harro, which had sales in 1974 of £9.52m and made a pre-tax profit of £1.4m, its business is relatively small. In the first half of this year profit rose by 47 per cent to £920,000.

Harro's main business lies in exhaust systems and silencers, and it has been estimated that it has as much as 60 per cent of the replacement market in this field, despite increasing competition from British Leyland through its Unipart operation.

The company's market dominance clearly leaves scope for a Monopolies Commission investigation.

Tenneco said it intended to continue Harro under its present name and form. Mr J. W. Hartley will remain chairman and will join the board of Tenneco Walker BV, which will, in turn, appoint Mr John Faggett to Harro's board.

The offer takes the form of a sterling/dollar convertible loan stock of Tenneco at the rate of £2 of stock for every five Harro shares, but it is underwritten for cash at 40p a share.

Chrysler aid decision this week

By Our Industrial Staff

A Cabinet decision on the extent of aid to be offered to Chrysler UK is expected this week after a detailed analysis of the options by a team of civil servants and Chrysler executives.

Mr John Riccardo, chairman of the Chrysler Corporation of America, will be invited to return to London for a third round of ministerial consultations before Mr Eric Varley, Secretary of State for Industry, makes his promised Commons statement on the company's future.

Ministers will be reaching a conclusion against the background of advice from the In-

dustrial Development Advisory Board not to inject a large amount of public money into the car company.

The drafting of a Whitehall scheme began last week and the 12-member IDAB will not be making a specific recommendation until it has studied the proposals.

Mr Varley and his department, faced with a clear statement from Mr Riccardo that the American parent company will begin a phased withdrawal from Britain from January 1, have been under considerable pressure to find a solution.

Whatever course of action is adopted the chief difficulty facing Mr Varley is to persuade Chrysler Corporation to con-

tinue to underwrite the British company's trading losses.

Korean project: Mr Doug Hoyle, Labour MP for Nelson and Colne, yesterday accused the Government of "virtually riding and abetting" the establishment of a South Korean motor project which, he claims, could do irreparable damage to Britain's own car industry.

Mr Peter Shore, Secretary of State for Trade, who recently returned from South Korea, where he visited the new Hyundai factory, set up with help from British Leyland, had told Mr Hoyle: "It is my clear understanding that Hyundai have no plans to market their four car line in this country for some time ahead."

With investigations into the affairs of Hawar still under way, a highly unusual move has come to light of the determination of Far Eastern financial authorities to ensure that the highest standards of practice are seen to be observed by public companies.

It has emerged that the Kuala Lumpur Stock Exchange has been taking a close interest in the affairs of Pahang Consolidated, a British-based company with substantial tin mining operations in Malaysia.

In a highly unusual move, the exchange publicly gave Pahang a five-day deadline to answer a number of searching questions, primarily centring on the uses to which the £4m proceeds of recent rights issue had been put.

The issue, which offered one new share for every one held by shareholders, has already proved something of an embarrassment to Pahang, which is controlled by both London and Kuala Lumpur. It was launched in May and was the company's second rights issue within six months.

As a British-registered company Pahang had obtained the approval of the British authorities to launch its issue, but omitted to get the approval of the Kuala Lumpur Stock Exchange's Capital Issues Committee.

As a result, although the shares were issued to the public, the proceeds, amounting to half Pahang's new capital, are still not being quoted in Kuala Lumpur some six months later.

In the meantime, however, the Kuala Lumpur Stock Exchange itself had become involved, demanding answers from Pahang on the question of whether it had used the rights proceeds to make loans to associated companies as stated in the prospectus sent out in the issue document sent to shareholders.

The document said that £1.95m would be used to finance bank borrowings, which Pahang had built up to a share stake in Plantation Holdings to 26 per cent. A further £1.1m would be for sinking a new mine shaft, and the

Pahang questioned by Malaysian exchange over £4m rights issue

By Christopher Wilkins

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remainder would be used for investment—particularly to build up the Plantation Holdings stake to nearly 30 per cent—and for working capital.

But when Pahang produced its accounts for the year to the end of July, they revealed that the company had made loans totalling M\$20.8m (nearly £4m), and in June the company had bought a 45 per cent interest in a company called Chu Yu.

Because of this, the exchange said: "As the total loans given to associated companies of M\$20.8m would appear to have been appropriated out of funds from the recent rights issue, explain why these loans are given, since shareholders have been informed that the proceeds from the rights issue will be used to advance the company's diversification programme."

It also asked about the security for the loans, the involvement of directors, and the reasons for not notifying the exchange of the purchase of Chu Yu. It demanded fuller detail about Chu Yu's activities.

In its reply Pahang said that no major capital expenditure was intended had been committed by the year end, since the rights proceeds had been received only in the middle of June.

"Therefore, the surplus funds were temporarily placed with the associated companies—Faber Union, Merlin Malaysia and Faber Union." The advances were described as "repayable in full on demand".

Faber Union, a property company wholly owned by Faber Merlin, holds 25 per cent of Pahang. Five Pahang directors are also directors of Faber Merlin, which has substantial hotel interests.

Pahang apologized for not informing the exchange of the Chu Yu investment, which, it said, was "considered too small to justify notification to the public".

Chu Yu was described as an investment company, whose paid up capital was increased from M\$2 to M\$250,000 in June. Pahang's investment was M\$112,000.

18 nations to discuss protectionist trends

By Melvyn Westlake

High-level officials drawn from 18 countries meet in Geneva today and tomorrow, against a background of sharply falling world trade and increasing protectionism, to consider how national governments should respond to the present situation.

It will be the first meeting of the experimental Consultative Group of 18, representing both rich and poor countries, set up last July in response to the General Agreement on Tariffs and Trade.

The countries attending the meeting are seen as broadly representative of GATT's 83-nation membership. They include, the United States, Japan, the UK, Switzerland, Australia, Canada, Finland, Spain, Poland, and nine developing countries.

Top priority is likely to be given to considering the implications of this year's rapid drop in world trade on the balance of payments positions of various countries and the possible effect on national commercial policies.

Although the major nations at the Rambouillet summit reviewed their pledge not to impose trade barriers or to increase trade liberalization, here have been signs of increasing protectionism as a result of the strains caused by the recession.

The idea of the Consultative Group, which came from M Olivier Long, director-general of GATT, is that issues like the impending introduction of some trade restrictions by Britain, and the increasing tension between the EEC and the United States, can be reviewed in a frank and informal atmosphere.

Both these issues could be raised today or tomorrow. Also, the attendance at the meeting of several developing countries seems bound to ensure that demands for a fairer international trading system for the Third World will also be discussed.

Meeting three or four times a year at permanent secretary or deputy secretary level, the Consultative Group may, it is hoped, reach understandings more easily than the larger GATT bodies.

The group is also intended to be the agent for joint GATT/IMF/World Bank machinery for considering balance of payments problems and any restrictions which may be imposed as a result of such problems. Its success will be reviewed after a year.

The Consultative Group meeting will be followed on Wednesday, Thursday and Friday by the full annual meeting of the GATT membership under Mr Peter Lal of Malaysia.

Monthly net savings at a three-year peak

By Tim Congdon

High inflows into national savings continued in October. The net inflow during the month was £51.9m, the highest level for almost three years, according to figures released yesterday by the National Savings Committee.

Accrued interest amounted to £31.4m, increasing the total invested in national savings by £83.3m. In October, 1974, the increase was over £40m less at £42.4m.

A large part of the increase between the two years can be explained by the introduction of index-linked savings media. They contributed over £18m to the October figure, with the scheme for pensioners accounting for £15.6m and the SAYE scheme for £2.6m.

But traditional national

savings investment channels also attracted more funds, with premium bonds showing a net inflow of £5.1m and the ordinary departments of trustees savings banks of £16.6m.

The latest national savings figures suggest that the savings continued to be at high levels despite the severe erosion of real incomes in recent months because of rapid inflation and a slowdown in earnings increases. The national savings movement has been successful in attracting a large proportion of these savings.

The net inflow in the first 30 weeks of the current financial year has been £237.7m, compared with a net outflow of £101.4m in the first seven months of the 1974-75 financial year. These funds help to meet the Government's borrowing requirement.

Doubts growing on future of leading Italian companies

From John Earle
Rome, Italy, 23

While the crises at Leyland, Innocenti and Industrie Pirelli marked time at the weekend, growing troubles throughout Italian industry are casting doubt on the viability of many of its major firms.

Among them are Societa Generale Immobiliare, Europe's biggest property group, and Montedison, the fibres subsidiary of the Montedison chemical group.

After a meeting of ministers yesterday, the government announced that it was working on "a concrete initiative" to solve the problems of British Leyland's Innocenti plant, which assembles Minis in Milan. No details have been disclosed of the initiative, which is expected to comprise the injection of local capital and a diversification of manufacturing activities.

Ministers are to discuss their proposal with management and trade unions before an Innocenti board meeting called for Wednesday to decide whether to go ahead with dismissing 1,500 of the 4,500 work-

force or close the plant altogether.

Fiath, an awaiting reaction from the trade unions to its decision on Friday to dismiss 1,380 of its 34,000 workforce next month. The company regards the dismissals as an essential feature of its five-year recovery plan.

News has leaked out that Societa Generale Immobiliare faces short-term financial difficulties, but the present owners maintain that they are an intransigent from the former regime of Signor Michele Sindona, the runaway financier whose extradition from the United States is being sought by Italy on charges which include fraudulent bankruptcy.

Montedison's troubles came to the fore after the cancellation of a shareholders' meeting called in Milan for last Friday to approve a capital withdrawal and a rights issue at a rate of 120,000 lire (£85m).

The cancellation until further notice gave rise to speculation that Montedison, which owns 83 per cent of the capital, was unable or unwilling to provide more finance.

price review next year. That will begin to operate when the British price-pegging policy begins.

Members of the United Kingdom Association of Frozen Food Producers are likely to prepare a limited list of products to offer at further meetings with officials. The Cocoa Chocolate and Confectionery Alliance said that it had to discuss "practical problems in the industry" before it produced a list.

It had 183 member companies, ranging from huge concerns to very small ones, and found it hard to devise a price-pegging programme.

US recovery 'under way'

By Our Economics Staff

Recovery in the United States economy, upon which the revival in the rest of the world now hinges, is firmly under way, according to a team of independent forecasters.

The team, whose report is being published in London this morning and in Washington tomorrow, is drawn from world organizations like the International Monetary Fund and the Organization for Economic Co-operation and Development.

It says that the United States has emerged from its recession some three to six months ahead of the rest of the world, followed most closely by Japan and then by France and West Germany.

The report, published by Forre Research using a OECD-type forecasting model, predicts that the United States gross national product will expand by about 6 to 6½ per cent during 1976. This assumes a continuation of American tax remissions.

Key element in this growth scenario is the consumer demand. However, the savings ratio, which fell from 10.6 per cent in the second quarter of this year to 7.7 per cent in the third quarter, is not expected to fall much further.

The American trade surplus is seen as falling sharply from now onwards, with a deficit developing in the second-half of next year.

Dairies say EEC rules prevent 5pc price rise limit

By Hugh Clayton

Dairy processors have told the Government that they cannot offer products for price-pegging in the 1976 strategy of inflation, because the price of milk is certain to rise through the EEC by more than 5 per cent. That is the reply given to officials at the Ministry of Agriculture, Fisheries and Food by leaders of the Dairy Trade Federation.

It reflects the hard line adopted by food processors in the face of pressure from ministers to suggest products which can be held to increases of not more than 5 per cent between

February and July next year.

Mr Tim Fortescue, secretary-general of the Food and Drink Industries Council, which represents trade organizations, said: "We have pointed out to ministers that our margins are so intolerably low that we have nothing to offer. There is a lot of very hard horse-trading to come."

The Department of Prices and Consumer Protection is using officials at the Ministry of Agriculture as its agents in meetings at which trade organizations in the food processing industry are asked to suggest

lists of products for pegging below 5 per cent.

The reply from the dairy processors was meant to remind the Government that it and the EEC Council of Farm Ministers controlled the price of the sector's main raw material, milk. A spokesman for the federation said laconically: "We have expressed the view that it is impossible to put dairy produce in because of the Treaty of Accession."

British dairy prices are still in the transitional process of moving up to EEC levels, and British farmers will expect a rise on milk in the EEC farm

price review next year. That will begin to operate when the British price-pegging policy begins.

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It had 183 member companies, ranging from huge concerns to very small ones, and found it hard to devise a price-pegging programme.

Used aircraft dealers call for VAT relief

By Arthur Reed
Air Correspondent

Companies dealing in second-hand aircraft are being put out of business by value-added tax regulations as applied to this sector of aviation, the Government has been told.

The General Aviation Manufacturers and Traders Association has sent a dossier to the Customs and Excise appealing for the 25 per cent rate of tax on the whole value of second-hand machines to be applied only to the profit on such sales.

The dossier said dealers were unable to offer satisfactory trade-in prices to customers, as the dealer had to apply a further 25 per cent VAT to the resale.

Sales had become buoyant among private owners, where no VAT was applied, and the whole second-hand market was "going through a lowering of standards to an exchange and market level".

Standards of flight safety were affected, despite the regulations applied by the Civil Aviation Authority on inspection and control, the dossier said.

It also pointed out that the general aviation aircraft was the only vehicle subject to a 25 per cent tax on the whole second-hand value.

Lucas drive to involve workers

Lucas Industries has set up a special group headed by Mr Bernard Scott, the group's chairman, to ensure that the general managers of each of its companies are fostering the involvement of all employees in matters concerning their jobs.

In the Lucas annual report, Mr Scott says each company is updating its communications, consultative and negotiating procedures.

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Lending rate 11½ pc

The Bank of England's minimum lending rate is held this week at 11½ per cent. The following are the results of Friday's Treasury Bill Tender:

Applications £1,114m
Bids at 8.975%
Total £1,114m
Avg rate £11.0385%
Next Fri £400m
Repaid £250m

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LONDON PARIS GLASGOW

BY THE FINANCIAL EDITOR

Some lessons from Lifeguard

It was virtually certain from the moment it ran into trouble that Lifeguard Assurance would be rescued. The connection with Lloyd's, however tenuous in the first place and however diluted it became with the passage of time, meant that Lifeguard could not be allowed to fail. So, it is a safe assumption that Lloyd's brokers and underwriters will be among those rallying round to save Lifeguard through a £125m cash injection.

It is also possible that the stern displeasure that has been emanating from Lime Street towards Lifeguard since it was "advised" by the Department of Trade and by its own actuaries to stop taking on new business is also behind the company's decision to continue operating on a "closed fund" from now on.

Probably nothing would please the elder statesmen of Lloyd's more than if Lifeguard, always regarded as something of a precocious child, could now be taken under the protective wing of some larger, more established company such as the quasi-official Lloyd's long-term insurance operation, Lloyd's Life.

As it happens, though, such a move would only be acknowledging the reality of the Life Assurance world. The much-vaunted criteria which the Department of Trade is laying down for long-term insurance companies must mean that many of the smaller, more innovative companies must now either seek a major capital injection, relative to their existing capital base, or seek the protection of a larger grouping. Those that cannot do either will presumably fall into the safety net of the Policyholders' Protection Act.

All this raises the question of how many companies might even now be running into the same sort of difficulties as Lifeguard, bearing in mind that Lifeguard's June 30 year-end means that the company's valuations to the Department of Trade under the new regulations ahead of the majority of companies who operate a calendar financial year.

Since the department's predecessor, the Board of Trade, began requiring that newly formed companies obtain its authorization to trade in 1957, probably well over 100 new companies have been registered. Up to the end of 1973 the figure was 96. A high proportion of these were small new companies though others were the offshoots of existing groups. The statutory minimum paid-up capital required is £100,000 (though the Department of Trade usually requires more nowadays) and this makes Lifeguard's paid-up capital of £750,000 look not so exceptionally small after all.

In other words, there could be many small companies whose capital base, like Lifeguard's, cannot hope to stand the strain of taking on new business, particularly given that the effect on premiums and claims is that a company can in effect be operating a much bigger book simply by standing still in terms of the number of policies.

The coming months then, promise to be a tough and testing time for the smaller life offices as they face the implications on the valuation of liabilities as well as assets become fully implemented. Conditions will not be made any easier for them either by the requirements which the Policyholders' Protection Act lays upon intermediaries such as brokers and agents.

These stipulate that where a

long-term insurance operation fails, an intermediary who has directed a "substantial" proportion of the new business in the two years preceding its failure must pay a half of that commission above £5,000 of that immediately preceding the failure and a quarter for the year before that. It is not hard to imagine then that brokers will be wary of placing business with the smaller life companies in future lest they be called upon to meet this levy.

So, Lifeguard points a lesson for the life industry generally and it vindicates the caution of the Committee of Lloyd's back in 1964 in trying to prevent certain Lloyd's members pursuing the short-term attractions of a life business when they might have done better to apply the more prudent long-term standards which Lloyd's has built up over 300 years.

Residential land

Who is buying it and why

People may be reading too much into recent signs of revival in the housebuilding industry. True, private housing starts are well up on the level to which they peaked last year; and some housebuilders have regained confidence to the extent that they are now back in the market for land. But that is not necessarily a simple reflection of the fact that stocks are now being run down and need to be replenished.

For a start, there seems to be a general consensus on the effects of recent legislation, which suggests that the market for land will be at best chaotic and more probably entirely dormant for at least 18 months after the Community Land Act comes into operation. So those housebuilders with the financial and management capacity to do so are trying now to tide themselves over that period.

Development is one of the key factors behind last year's growth. In the second place there are situations such as that besetting the housebuilding subsidiaries of Trafalgar House, which have been forced to come back into the market for land with a least, outline planning permission. Trafalgar House wrote down its housebuilding land by £500,000 at the interim stage, so that at first sight this looks like a very rapid reversal of opinion on the state of the housing market.

In fact what it represents is the group's attempts better to balance its housebuilding operations with an increased emphasis on the lower end of the market, a reversal which has hitherto been relatively thinly represented. Trafalgar House, which, incidentally, is thought to be planning a rights issue this week, still has plenty of high-priced land on its books which, in fact, it looks as though it is going to be difficult to get rid of on a reasonable timescale: in fact it looks as though further write downs are likely. At the same time the group has its housebuilding operations in need of work: and it is buying land for high density housing in an effort to supply them.

Nevertheless, it is notable that Trafalgar House itself is looking for no sudden surge in the housing market: with housing starts this year, despite recovery, at only two thirds of the normal level, the activity at the bottom end is healthy only in relation to the very recent past.

For investors the message is, in buying housebuilders, to go

for those which function predominantly at the bottom end of the market: Barratt itself, may be, or David Charles. Given that the shares in most of such companies are relatively unmarketable, it might make more sense to go for the building material suppliers—not so much in the expectation of profits like those we have already seen as the companies shut down their high cost production, but for the above average and well-covered yield which several of them—BBP and Elephant Ceramic, for example—offer.

Joseph Lucas

A healthy cash flow

Joseph Lucas's surprisingly good full year results, followed by a 21p rise in the shares to 177p since the preliminary statement two weeks ago, have been prompting some speculation that the group might be leading up to a rights issue. Perhaps, but while borrowings were undeniably higher last year, the balance sheet remains sufficiently lowly for speculation to be a premature exercise.

Admittedly the pace of capital spending seems likely to continue running at high levels. Lucas is embarking upon a £25m two-year expansion programme at CAV and in the same period will be spending £10m on overseas re-equipment in the diesel area alone—catering for the buoyant market which was one of the key factors behind last year's growth.

But even so, after a hefty increase from £42m to £10m in deferred taxation, Lucas again paid no tax in the United Kingdom last year, so that cash flow of £34.2m comfortably exceeded expenditure on fixed assets of £26m.

Moreover, the present indications are that the group is set for a continuation of the growth apparent in the latter part of 1974/5. Diesel engine components continue much in demand and Lucas is expecting a progressive revival in car sales outside the United Kingdom. Overseas profits accounted for 37 per cent of the total last year and the group might therefore expect this year, having fallen from almost 50 per cent despite a more than 40 per cent profit increase.

So last year's increase in borrowings from £56.3m to £67.7m should be little cause for worry in the context of £198m of net worth. But by the same token that Lucas is in no urgent need of a rights issue, it is unquestionably better equipped now to sell one to shareholders than for some time.

The return on capital was up from 8.5 to 13.5 per cent last year—the highest it has been since 1969—and Lucas has even managed to squeeze wages as a percentage of income down a little to a shade under 40 per cent.

What question marks there are centre around the domestic motor market. Lucas is expecting no recovery here although there may be some benefits from an improving export demand.

Accounts 1974-75 (1973-74)
Capitalization £117m
Net assets £198m (£186m)
Borrowings £67.7m (£56.3m)
Pre-tax profit £32.3m (£17.6m)
Earnings per share 23.2p (13.2p)

The spirit of Rambouillet and the exchange rate spectre

Hugh Stephenson

Without wishing to detract from the importance of the "spirit of Rambouillet", the impression which gained ground last week that some new system for more stable exchange rates has been introduced was deliberately, or at least positively, misleading.

The "problem" facing those who, in the elegant surroundings of the Chateau de Rambouillet, had to put the finishing touches to the international monetary parts of the draft communiqué was to reconcile the following positions: 1. The French president, supported by the German Chancellor (the two statesmen having a close personal effect on each other's thinking in this matter), wanted a return to fixed exchange rates, believing that the present lax regime is largely responsible for the world's inflationary and other problems.

2. The Americans are determined not to return to a more fixed exchange rate system, because it did not work. 3. The major central banks are all privately of the opinion that we have a system of floating exchange rates, for other-

wise the world would, since the oil price revolution, have been in a continual state of currency crisis.

The communiqué squared this circle with phrases like "work for greater exchange rate stability", or "action by monetary authorities to counter disorderly market conditions, and erratic fluctuations in exchange rates". Further, the impression was encouraged that the European currency "snake" could be the basis round which this new stability was built. Certainly, those who wish to follow exchange rate policies closely in the coming months will have to remind themselves of the mechanisms of the snake, the even number which the stronger European currencies roughly float together and to which the weaker claim that they aim to accede as soon as they are able.

It should not, however, be thought that there is as much new in all this as the drafters of the communiqué, or their principals, wished to suggest. Major central banks have been intervening to "smooth" market trends since floating first became a habit.

The Swiss, for example, get worried when the dollar is unnaturally weak against their franc, because banks have but so many clients into dollar investments. Accordingly, a private meeting was held early this year between Swiss, American and German central bankers in a hotel near London airport, as a result of which the market was "smoothed".

More recently, anxiety amongst the same private clients of Swiss banks because of the New York City crisis led to two or three days of hectic instability in the Swiss franc/dollar relationship, which needed to be smoothed. Other central banks were operating on the same principles before Rambouillet, though curiously, in view of their warm adhesion to the multilateral nature of the European snake, the French have only been intervening within the snake, which was the old Bretton Woods system for managing exchange rates.

Such "smoothing", however, will still be conducted within the guidelines already suggested by the International Monetary Fund, namely that over a reasonable period there

should be no net change in a country's reserves. In other words, the process should lead to smoother floating, but not necessarily to any greater basic exchange rate stability.

Further, the idea that the snake reintroduces something of the discipline on domestic economic policies of the fixed exchange rates of an earlier era has little logical or practical justification. The French franc is now strong within the snake, but the French have left the snake without hesitation in the past when the going got rough. Without doubt they, or any other participant, would do so again in similar circumstances. Even within the short life of the present snake, there have also been three parity changes within the system.

There are, of course, advantages in the snake. First, in so far as its existence curbs the arguments of those who are against floating exchange rates and thus continues in practice to allow quite significant relative exchange rate changes to take place, then there is a well come tendency for capital flows to be generated, which offset current account imbalances. In

contrast, under fixed exchange rates, a current account imbalance was usually further reinforced by speculative capital flows, taking a one-sided gamble on an exchange rate change.

Secondly, countries like Austria, which feel the need for a reference point for their exchange rate, but for political or other reasons prefer not to be officially tied to one particular currency, can link themselves in some loose way, say, to the middle of the snake. Over time and if the weather remains clement, a general union of some European exchange rates could develop.

This process can never, however, be the basis of a stable relationship between the dollar and other major currencies. The forces at work there are far too powerful to be significantly influenced by central banking legerdemain, however skilful. If the spirit of Rambouillet was to any extent built on the contrary assumption, then the political leaders who thought that they had taken a major and positive step were deceiving themselves, or being quickly deceived by their officials.

Business News staff discuss reactions to the Bill to nationalize the aircraft and shipbuilding industries which was published at the weekend

UK air groups point to their exports success

Senior executives in British aerospace have spent most of the weekend planning what will be an extremely hard and vociferous campaign against the Government's nationalization plans.

Close reading by the industry of the Bill has shown very little change from that tabled during the last session of Parliament, but which proceeded no further than the first reading, owing to lack of parliamentary time.

Now, as then, it proposes to take in public ownership three of the leading companies, the British Aircraft Corporation, Hawker Siddeley Aviation, and Hawker Siddeley Dynamics, plus the smaller Scottish Aviation. About 70,000 aircraft workers now employed by the three main firms will become employees of British Aerospace, the corporation which is to run the business for the taxpayer.

Once again, the industry is dissatisfied with the proposals in the Bill for compensation. It is estimated to cost the taxpayer anything from £300m to £500m—and with the wide powers given to the Secretary of State for Industry to take into nationalization at a further stage other parts of aerospace, notably some of the aviation and equipment firms.

But over and above these points of detail, the industry leaders are, almost without exception, still quite unconvinced that there is any basic need for aerospace to be taken into the public sector. The fashionable word which they are using about nationalization is that it is, "irrelevant" where their industry is concerned.

Public money

The British aircraft industry, they point out, exported £214m of products last year and look set to exceed this and to set a record during the year which is nearly finished. The government case in reply is that many

of these exports have been achieved on the back of immense sums of public research and development money which have been injected into the industry since the war, with very little return to the taxpayer.

And as to whether nationalization can work in aerospace in this country, advocates of the Bill point to the case of Rolls-Royce, saved by the country after bankruptcy in 1971.

Rolls-Royce

Since then, Rolls have made a brilliant economic recovery, albeit under the leadership of a very independently-minded chairman in Sir Kenneth Keith, and are set to make a profit on the 211 engine project which is being taken into a financial spin originally.

Lord Beswick, Under Secretary at the Department of Industry, appears to be favoured by the government to chair the new aerospace corporation. But the industry leaders remain worried where the rest of the board with good background knowledge and experience of aerospace are to come from.

If they cannot stop the Bill in Parliament and there is still a section of aerospace leadership which believes this possible—the industry leaders will seek through every democratic device as the legislation passes through the Commons and the Lords to have it changed.

BAC said over the weekend: "Nothing is inevitable until it happens. We are going to fight this very vigorously throughout the political stage."

But the industry's main aim will be to see that the aerospace corporation, as established, is commercially competitive in its outlook and actions in a field where deals worth millions of pounds can depend on the quality of decisions made in the quiet, often well outside the normal working hours of the Civil Service.

Arthur Reed

Still pressure in the shipyards for a 'less formal' alternative

A few weeks ago there was still some doubt among shipbuilders as to whether the Government would go ahead with its plan to take the industry along with ship repairers and marine engine builders, into public ownership.

Its first attempt to introduce the Bill had failed because of the congested parliamentary timetable, and the need to pare back the industry's demands for an alternative to the Government's own concept of planning agreements and which Mr Eric Varley, the Industry Secretary, and others see as being one of the key tools to be used in the revival of British industry.

But Mr Varley is apparently not prepared to be seen by Labour's left wing being swayed in any way by the arguments of shipbuilders, particularly in view of Mr Wedgwood Benn's commitment when he was at the Industry Department.

Even at this late stage, however, through the Shipbuilders and Repairers National Association, the industry is arguing for an alternative plan to be considered—a scheme which would see the existing private and public sectors of the industry to continue operations in parallel.

Under the provisions of the Bill, companies already in the public sector, like the shipbuilding interests of the Bank of Scotland, Line Group, Govan Shipbuilders, and others, will be taken into the public sector.

Is the decision to go ahead with this piece of doctrine legislation designed more as a sop to the left wing of the Labour Party (for shipbuilding can hardly be considered a commanding height of the economy) than a real attempt to put up the industry and achieve a marked improvement in its efficiency?

Surely the Government should reconsider, even at this late stage, the possibility of an alternative—or should it? These and other questions are being raised in advance of the legislation being pushed through Parliament.

The shipbuilding industry has argued consistently that the problems of the shipbuilding industry—and there are some pretty hefty ones at present—will not be resolved by public ownership. Its leaders have pressed unsuccessfully for the government to agree to a looser, less formalized arrangement under which employers,

unions and Government would have a decisive role to play in the formulation and implementation of policies. This proposal, outlined by the shipbuilders, was an alternative which was in line with the Government's own concept of planning agreements and which Mr Eric Varley, the Industry Secretary, and others see as being one of the key tools to be used in the revival of British industry.

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widely in their structure and method of operation.

A significant omission from the list of companies to be acquired is that of the Drypool Group of shipbuilders, which has been under the direction of a receiver since August, after abortive attempts to resolve a liquidity crisis which hit the yard in the summer. The exemption of the Humberside group poses problems for Mr Varley and for the Government.

It certainly will not please local MPs, trade unionists and Labour's Tribunal members.

Equally Mr Varley is likely to find himself under fire for his own statement. On Thursday of last week he was telling MPs that nationalization of shipbuilding and aerospace was a vital element in the regeneration of British industry yet in his statement last day he excluded the Humberside MPs that Drypool was being excluded and being offered to private sector purchasers on the grounds that they would bring in new management, provide new work and enhance employment prospects for the 1,000 or so workers in the group.

Whatever the long-term objectives of the new state shipbuilding body—and the industry has stated clearly its willingness to help to make it successful—the Government must see the time in appointing key personnel and formulating policies.

The shipbuilding industry is internationally faced with its most serious crisis since the Second World War. There is massive overcapacity which will last possibly to the end of this decade. Already the price cutting war to secure the few orders that remain is being won by the Japanese yards, and prospects for continued employment in British and European yards two years hence are not bright.

Compensation is one thing, but the Government will be faced with its own substantial sums of taxpayers' money to keep some yards afloat—some perhaps it is willing to acknowledge.

Peter Hill

Business Diary in Europe: Volvo convulsion? • Talking turkey

Volvo were at pains last night to discount reports that Jim McKelvie, the 55-year-old Scot who runs their very successful British lorry company, has fallen out with the Swedish head office. The weekend news that McKelvie is being replaced by a Swede as managing director has only added more fuel to a fire which has been burning for months.

Ailsa Trucks, the United Kingdom concessionaires for Volvo, and the company that McKelvie founded, attempted to soften the news in a carefully worded statement. It emphasized that he was giving up the managing director's seat to take on a corporate appointment with AB Volvo, which would enable the parent company to make better use of his great experience.

Ailsa refused to elaborate on this appointment. A spokesman said it must be revealed for another three or four months, but would not involve a move to Sweden.

McKelvie is one of the most forceful and successful men in the lorry industry. In 1963 he sold his family transport business for a reported £1m. For a time he toyed with the idea of retiring to the Bahamas but admitted later that his restless mind was increasingly turning from carrying other people's goods to selling them himself.

In 1966 he began importing Volvo "heavies". His success is now part of the industry's folklore and more than anything else was responsible for the subsequent flood of foreign-made lorries into Britain. Within five years Volvo F66 2-tonners were the best-selling "heavyweights" in the country, displacing even Leyland.

With this track record no one was surprised when Volvo acquired control of McKelvie's company in 1972.

From next January the new managing director of Ailsa will

be Stig Olson, 45, the present head of Forss-Parrar AB, the Swedish trailer manufacturer owned jointly by Volvo, Scania, Fruehauf and Incentive ASG. Olson has a reputation as a bus specialist and this could be a significant factor in his appointment. Volvo are attempting to cash in on the acute shortage of double-deck buses in Britain by assembling them at Irvine in Scotland. They already have more than 200 orders.

Festive reason

In a deal that was three years in the hatching, the quoted Gloucester-based Gordon Johnson-Stephens group is to sell a £777,000 turkey plant to the Romanians.

The contract is for the supply and erection of a hatchery and processing plant capable of turning out three million frozen birds a year.

It often takes a long time to do business in that part of the world, and director Roger Stephens says that he almost lived in Romania setting up the deal.

Still, it's a good Christmas present for the group, which has been in the Bahamas for some years. Some G.J.S. incubator parts are made under licence there, and a few are even exported back to the UK. While the export of a turkey plant might be considered Business Diary's first Christmas story of 1975, it is in fact not really so unusual, the order means more cash for G.J.S. workers to jingle in their pockets as they go about their Christmas shopping.

Romanians, as Communists, don't institutionalize Christmas in the way that we do. It is, however, a family festival, although few Romanians will be sitting down to turkey on Christmas Day, since it's con-



Hollowood

"We were told that the last cod war was the cod war to end all cod wars."

sidered more of a summer dish. They're much more likely to be putting away Samraale, a pork, rice and cabbage concoction, washed down with New Year's Eve, however, is not fraught with ideological pitfalls, and everybody unwinds so thoroughly at this Black Sea holiday that both January 1 and January 2 are regarded as public holidays.

Olympians

Italy, the civil engineering group which forms part of the Italian state-owned IRI giant, is in a favoured position to win the contract for building sports installations and hotels for the 1980 Moscow Olympic Games. Its president, Loris Corbi, who accompanied President Giovanni Leone on his visit to the Soviet Union, said his technicians were well ahead on a series of study projects agreed under a protocol signed with the Soviet Committee for Science and Technology.

One project, Corbi said, is a 45,000-seat sports palace which, after the Olympics, could be

transformed into four separate conference halls. His company, the advance guard techniques enriched by an Italian firm already shown in building the new Palazzo dello Sport in Milan.

Corbi added that other prospects included the building of underground car parks and enlarging Moscow airport.

In September the Italian state company, Cofod d'Acqua, signed a \$1,000m contract for the biggest civil engineering deal to be concluded by an Italian firm abroad since the war, for the building of a port at Bandar Abbas in Iran. Italstat is also responsible for Europe's longest road tunnel, of 12 kilometres, under Mont Blanc, and for the industrial port of Sines being constructed in Portugal.

Club in Cuba

In establishing holiday villages as far afield from France as Hawaii, Israel, Turkey, Bulgaria and the Ivory Coast, one might have thought that physically, and politically, Club

Mediterranean had gone about as far as it could go.

Club Mediterranean has opened up in Cuba as a result of a meeting of minds between Fidel Castro and the club's boss for more than a decade, Gilbert Trizano.

The agreement reached is to last a minimum of five years. And already the club has transported its first group from Paris to bungalow sites near Havana and overlooking the Caribbean. In May the club has the option of continuing at Bacurana, a small town of 5,000 people, constructing its own village elsewhere. And the site the club has in mind is Varadero beach, 90 miles east of the Cuban capital.

It has also been agreed between Trizano and Castro that, at the end of its initial six months on the island, the club will raise with the Cuban Government the matter of when and in what manner, its holiday establishment might cease to be purely an enclave of foreign tourists and open its doors to Cuban nationals.

Planting the club flag in Cuba has not been a rapid or easy feat for its chairman, Trizano. On his founding of the Havana regime date back several years, and when negotiations got into the final stage, Trizano was glad to have on the spot assistance from Dimitri de Savitski, France's ambassador to Cuba and a Club Mediterranean aficionado.

But, if during the time it took for the club and the Cuban Government to iron out an arrangement the economic climate of the world has seriously deteriorated, the venture is something the club is confident it can still afford to go into.

Between November 1974 and July this year, club turnover went up 35 per cent.

Germany's investment 'gap'

Peter Norman

Must West Germany, once regarded as the model economy for Western Europe, face the prospect of a million or more unemployed until the end of this decade?

This question is already being raised quietly in ministries in Bonn at a time when the country would seem to be showing the first signs of pulling out of the worst recession since its creation as a state.

The problem is no longer one of short-term recovery. The depth of the 1974-75 recession virtually guarantees some degree of economic growth next year, although there are plenty of scepticism outside government circles—and not just at the Organization for Economic Co-operation and Development—whether the 5 per cent real growth target set for 1976 can be reached.

The problem is medium term and hinges on what has become known as Germany's investment gap.

Today representatives of the Government, employers' federations, trade unions and Bundesbank will gather in the Bonn Ministry of Economics for one of their regular "concerted action" committee meetings. Because of the critical position in which the German economy finds itself, the meeting could prove of long-term importance.

The problem facing Germany's leadership is to find a recipe for steady medium-term growth within the present political and free-market economic system.

The Ministry of Economics has already worked out a model whereby unemployment could be cut back to an acceptable level of around 500,000 or 2.5 per cent of the working population from more than 1 million or just under 5 per cent at present.

The model presupposes that West German trade and industry will increase its gross invest-

This increase in labour supply will be partly offset by the return home of foreign workers at present living in Germany and the Ministry of Economics expects that numbers will decline to between 1.5 and 1.6 millions. But the fact that young people are joining the labour pool combined with the effect of increased productivity in freeing other workers, means that new jobs must be created.

It is for this reason that the question of industrial investment has taken on such importance, and with it the issue of corporate profits and wage levels in German industry.

The Ministry of Economics puts the investment slump at the last few years down to pressure on profits caused by increases in raw material costs, taxes, social security payments and wages. But to turn back these trends and put more emphasis on profits is back socially and politically an extremely difficult exercise.

The 6 per cent wage increase agreed for the iron and steel industry earlier this month, would seem to represent an absolute minimum given that inflation next year is expected to run at 5 per cent.

But already economists and industrialists have been protesting that it is too high, that it must not set a pattern for the rest of industry.

If the 6 per cent wage increase really is too high and helps prevent investment and therefore the economy returning to a growth track, the uncomfortable conclusion must be that high unemployment will continue despite next year's expected upturn in the economy.

It will then probably be up to political leaders to decide whether or not the state should take on a greater role in managing the economy and particularly the labour market looking for jobs.

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UK-based finance houses upset market calculations

Last week was something of a strange time for three of the four United Kingdom-based finance houses.

Charter Consolidated and Selection Trust upset market calculations with their interim results—the former by exceeding expectations and the latter disappointing onlookers—while Consolidated Gold Fields was at the receiving end of adverse publicity over the treatment of blacks in the South African gold mines.

An interesting aspect of the results and the expectations is that Selection and Charter, not content with bucking normal first-half trends, look set to do precisely the same in the second half, when it is expected that Charter will have a poorer final six months while Selection will do better.

Charter had surprisingly low exploration costs in the first six months, which will presumably be corrected during the remainder of the year. Dividend income is likely also to be affected because of the continued recession in metal prices and the follow-through from the devaluation of the Rand.

Selection Trust, on the other hand, seems destined to spring back in the closing months of the year. Consolidated African Selection Trust should stomp up something in the region of £1.2m, which should have come in the first half, while Mount Newman has hopefully sorted out its labour problems and Spargoville should reduce initial production losses.

At Consolidated Gold Mr Donald McCall, chairman apart from dealing somewhat uncharacteristically with the African labour questions, made some interesting observations on the group's philosophy.

The group has four pillars—South Africa, Australia, North America and the United Kingdom—on which it bases itself. There is no intention to build further pillars, hence, for example, moves into Brazil will be via Gold Fields of South Africa.

Now does the group want to rely disproportionately on one particular pillar, which can be taken to mean that the build-up in North America will continue, thus lessening the

dependence on South African gold.

The United Kingdom mining finance houses tend to move together in the market, despite the fact that they are all vastly different animals, with dissimilar prospects and widely diverging basic statistics.

One particularly close relationship found in the market is between Charter and Rio Tinto-Zinc. Conventional wisdom here appears to be to switch, for example, from Charter into RTZ when Charter's price is 10 per cent above that of RTZ, then switch back again once RTZ is at a 10 per cent premium to Charter.

This system does seem to ignore both the current position and future prospects. For example, RTZ is likely to fare much worse than Charter this year and perhaps most of the following year. But Charters

prospects are dull, while RTZ can look forward to the benefit of Rostering Uranium if nothing else.

As one analyst, who plots the interaction of RTZ and Charter prices, said: "It is beautifully irrational. The capitalization and the p/e ratios are different. There is no correlation at all. But there are enough people with enough money who think there should be a relationship and so there is."

Coal is still capturing the imagination of investors, although the pace has slowed down. In the long term there are worries worldwide about the future ability of nuclear power to fulfil demands while there is also a desire to lessen dependence by every means on oil, with South Africa having a particularly strategic reason for taking such a view.

However, in the short term, there are a few clouds on the horizon linked to the international steel industry, and at the moment South Africa's supply. This situation should rapidly change once the recession begins to ease.

In South Africa a new venture has been announced between RTZ, Southern African Total Exploration South Africa and Usutu Koolynne Bepker, a wholly-owned subsidiary of Trans-Natal Coal. Capital costs are estimated at R65m, but once under way it is forecast that the mine will earn R45m from the export of low-sulphur steam coal alone.

It will be interesting to watch the future performance of Trans-Natal and Amco, the new creation from the Anglo American Corporation. Amco will start life in the New Year with (provisionally) a 100m-ton 20-year export authorization. As an investment it is not likely to produce any great bonanza, but should be a steady profit performer.

In Australia Conzinc Rio-tinto of Australia is also expanding its coal interests by taking over Western Mining's former place in the Hall Creek project, but this is likely to have little impact on its overall earnings.

Euromarkets

An increasing number of international banks are issuing floating-rate notes (FRNs) to obtain a new source of funds that matches the maturities of their medium-term Eurocurrency loans, writes AP-Dow Jones.

In the past, banks have been content to borrow short-term on the interbank Eurocurrency market to fund loans that extend over several years. Since banks are generally not interested in a fixed premium above short-term interbank rates, the banks can make a profit on the premium as long as they can borrow as much as they need in the interbank market without paying a premium themselves.

However, panicky conditions in the interbank market after the collapse of Bankhaus Herstatt in June, 1974, proved that banks could not always count on funding their loan portfolios at going market rates. Indeed, some banks had trouble obtaining short-term funds at any price.

More recently, worries about the effects of New York City's financial crisis as well as the safety of shipping and property loans have encouraged banks to take out insurance with floating rate note issues.

These have the advantage of tapping sources of funds outside the banking system such as private investors and bond-oriented mutual funds. In addition,

the risk of financing medium-term loans with short-term borrowing is eliminated.

Since September, four prominent banks have offered FRNs for a total of \$165m. The latest offering is a \$25m, five-year FRN from the Bank of Paris et des Pays-Bas. The notes will pay semi-annual interest at 0.25 points above six-month interbank offering rates set by four reference banks.

A minimum coupon rate of 7.25 per cent is guaranteed. However, on the basis of current six-month Eurodollar rates of 7.63 per cent offered, the initial coupon would be 7.88 per cent.

The offering is being managed by Credit Suisse, White Weld, which also recently managed issues for the Bank of Tokyo and Midland Bank.

Underwriting sources say that Credit Commercial de France is planning a similarly structured offering in December.

From an investor's point of view, FRNs have the advantage of yielding a little more than interbank deposit rates whereas an investor's deposit with a bank would yield considerably less. Furthermore, FRNs can usually be sold any time without much capital loss.

Since the interest rate is periodically adjusted in line with money market rates, dealers are generally willing to buy FRNs at close to par because they are assured of being able to finance the FRNs at a small profit.

Weekly list of fixed interest stocks

Stock	Price	Yield	Dividend	Dividend Yield
Anglo-Saxon 7 1/2% Deb	105 1/2	7 1/2	7 1/2	7 1/2
Anglo-Saxon 8 1/2% Deb	105 1/2	8 1/2	8 1/2	8 1/2
Anglo-Saxon 9 1/2% Deb	105 1/2	9 1/2	9 1/2	9 1/2
Anglo-Saxon 10 1/2% Deb	105 1/2	10 1/2	10 1/2	10 1/2
Anglo-Saxon 11 1/2% Deb	105 1/2	11 1/2	11 1/2	11 1/2
Anglo-Saxon 12 1/2% Deb	105 1/2	12 1/2	12 1/2	12 1/2
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Eurobond prices (yields and premiums)

Country	Yield	Premium
Belgium 7 1/2% 1987	7 1/2	0.50
Belgium 8 1/2% 1987	8 1/2	0.50
Belgium 9 1/2% 1987	9 1/2	0.50
Belgium 10 1/2% 1987	10 1/2	0.50
Belgium 11 1/2% 1987	11 1/2	0.50
Belgium 12 1/2% 1987	12 1/2	0.50
Belgium 13 1/2% 1987	13 1/2	0.50
Belgium 14 1/2% 1987	14 1/2	0.50
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Belgium 88 1/2% 1987	88 1/2	0.50</

Published on the eve of an international conference in Hongkong on shipping and shipbuilding, this Special Report looks at sea trade in South-east Asia and the Far East in the light of the present world recession

Sea lanes of the East

Force of the future

by Peter Hill

The world shipping industry, well used to the 17.3 per cent increase in shipping demand in 1973-74 ranked as the lowest of any year in a decade. Oil transport demand, badly hit by the fourfold increase in crude oil prices, and reduced consumption, had grown at a high rate for a long period but last year recorded a 2 per cent decline in the tonnage shipped. That has led to serious difficulties for many established tanker owners, the most prominent casualty being the Norwegian, Mr. Hilmar Reksten.

All the indications are that there will be little if any improvement in most of the main trades this year. The outlook for next year is only marginally brighter, with most of the hope pinned on effective deflation in the United States and West Germany.

In its report earlier this year, the Maritime Transport Committee of the Organization for Economic Cooperation and Development emphasized that its own cautious forecasts of prospects for this year depended to a large extent on adhering to the OECD trade pledge. This involves avoiding special measures to restrain imports and restrict exports, or encouraging exports by such means as subsidies or destructive credit measures. Some governments are now under strong pressure to renege on some aspects of this pledge.

The shipping industry can only watch and wait. These days the merest straw in the freight market wind is seized on as eagerly in Tokyo and Hongkong as it is in London, Oslo or New York for South-east Asia and the Far East.

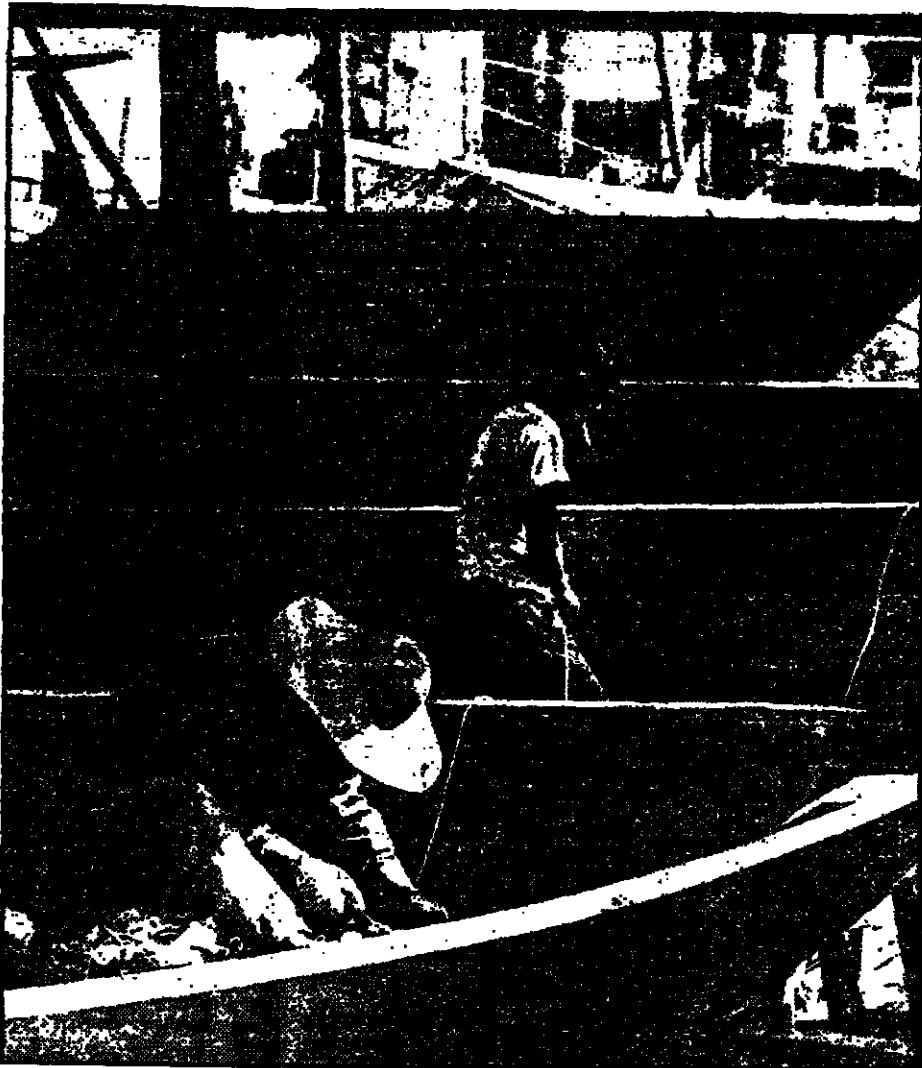
The Japanese fleet now totals slightly less than 40 million tons gross, nearly seven million tons larger than the British fleet, and nearly twice as large as the Russian. Singapore's merchant fleet increased by over a million tons last year to almost four million tons gross.

In years to come they will play an even more important role in world trade as underdeveloped countries industrialize. China, with its vast mineral resources and steady industrialization, bodes well for the development of the maritime industry of the world.

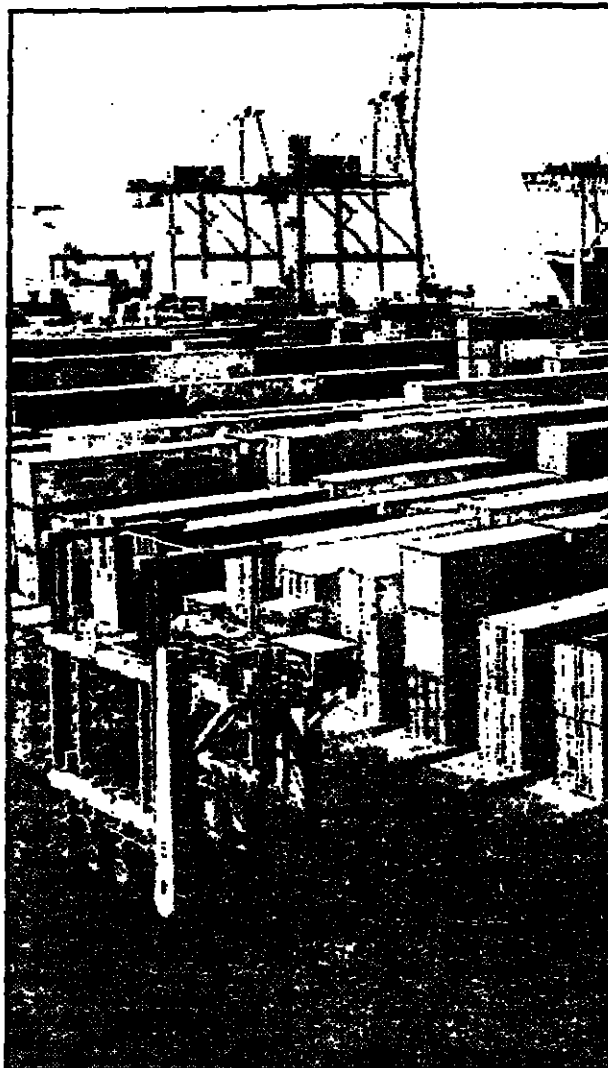
New shipping fleets are being established by the Middle East oil-producing nations, with some help from the established shipping companies of Western Europe, and similar trends are apparent in Africa and South-east Asia. The shipping world is in a state of flux and out of it will emerge some big changes which will shape the pattern of world trade in the final quarter of this century.

There is every expectation that trade will begin to move out of the recession in the first half of next year and produce the much needed impetus in the shipping markets. But there is no agreement about when and at what speed the recovery will take place.

Although the first half of last year saw a maintenance of the boom conditions of the previous two years, the decline in the second half of the year was dramatic. As a result the growth in shipping demand last year amounted to 4.7 per cent compared with 11 per cent



The extremes of sea traffic in Hongkong: building a junk and containers awaiting shipment at the \$HK154m Modern Terminals site.



westbound run, but with double tracking of the last remaining bottleneck on the Pacific and in the next two years, the Russians will join the Russians to join the talking agreement even more traffic. They have also launched a challenge on the sea route, with the recent opening of a liner service from Liverpool to Yokohama.

Already a number of important Japanese exporters, three in 1971. Fesco has including electronics and motor manufacturers, have moved to the landbridge. However, most of the major Japanese corporations remain conference-oriented and this could limit the landbridge traffic. Never the less, more than a dozen Tokyo forwarding agents are promoting the land route, and if the FEFC cannot keep an eye on its rates, their numbers could grow.

The threat of a rate war still hangs over the Pacific, despite recent attempts to patch up the problems. Sea-Land, the world's largest container operator, led the mass exit from the conference in order to compete with the outsiders, which include Hongkong business-man C. Y. Tung's Orient Overseas Container Line (OOCL), the Zim Israeli Navigation and the Soviet Far Eastern Shipping Company (Fesco). These lines and a host of smaller independents have slashed the conference share of trans-Pacific traffic from about 65 per cent to barely 40 per cent in less than two years.

The losses are piling up as conference-load factors tumble below 40 per cent. The five Japanese lines shipping to New York recently chalked up their biggest deficit—2,500m Yen—since the trade was containerized, and on the Pacific north coast trade their combined losses topped 1,200m Yen last year.

For the moment the lines have backed off from confrontation, and have formed into "talking agreements" which would basically allow the carriers to adjust their rates in line with those of OOCL. The adjustment would call for lower rates in some cases, although any moves that hold together the cartel are likely to lead to an overall rate increase eventually. But with trade still falling, many lines would be tempted to break agreements and fight for traffic.

Not only would the Russians be eliminated, but also the Norwegian, Swedish and Taiwanese independents. Stiff opposition to the proposed Bill has come from the American Importers League and the 1,800 shippers in the National Industrial Traffic League.

Thus the Far East is building up as a major area of confrontation between the giant conferences and shippers, with the Russians holding the joker. Many shipping chiefs see 1976 as a make or break year for the conferences serving the Far East.

The author is associate editor, Seatrade.

Agreement put under strain

by Bruce Barnard

A disastrous trade slump, growing surplus tonnage and stiff competition from a Soviet land route are threatening the profitability of shipping lines in the Europe-Far East trades, which could mobilize their own vessels.

The trans-Siberian land-bridge is more than the minor irritant it was at the start of operations in 1971. It has overcome teething problems and is running on schedule, now creaming off 10 per cent of the two-way traffic. The rates to and from Europe are about 15 to 20 per cent below the conference level.

The rail route carries about 3,000 containers monthly on the westbound leg, and about half this eastbound. The maximum haulage has been reached on the

shippers' council, the Council of All-Japan Exporters' Association, which includes the giant shoshas (trading firms), and the Automobile Manufacturers' Association, which could mobilize their own vessels.

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The slump has hit the 17-ship Trio consortium and the Scandutch group. Both fear that the recently-established ACE group, which will have eight of the full-blown 1976, will severely jeopardize profitability, even when the trade picks up.

Two other problems require immediate action. One is the growing gap between FEFC and its shipper clients over the thorny question of rate increases; the other is the challenge of the Soviet Union's trans-Siberian landbridge.

The FEFC's demand for a 14 per cent across-the-board rate increase by January 1, 1976, has been howled down by the region's shippers, with the Hongkong shippers' council calling the proposed increase "greedy", and arguing instead for a reduction. The shippers also dispute the conference's claim that costs will have risen by 14 per cent over the year.

These protests are more than the usual skirmish that takes place whenever rate increases are discussed. If the FEFC's 14 per cent rise goes through, it would follow on an 18 per cent increase last year, and a 14 per cent increase in 1973. Earlier this year, Mr. Ian Eng Joo, the Singapore shippers' leader gave warning of a possible move to non-conference lines, and urged the region's shippers to organize a separate shipping group.

However, the threat of a new Asian-based and controlled shipping line has not yet unsettled the FEFC, which handles almost 85 per cent of the trade. So far, the hard-headed businessmen behind the national lines in the FEFC—the Malaysian Shipping Corporation, Singapore's Neptune Orient Lines and the Philippines Shipping group—show little sympathy with local shippers. However, stronger opposition is expected from the Japanese

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tries of the Far East and South-east Asia.

Earlier this month Lloyd's Register of Shipping published its latest set of statistical tables, which underline the immense shipping importance of South-east Asia and the Far East.

The Japanese fleet now totals slightly less than 40 million tons gross, nearly seven million tons larger than the British fleet, and nearly twice as large as the Russian. Singapore's merchant fleet increased by over a million tons last year to almost four million tons gross.

Mr. Pao, whose World-Wide Shipping group should by 1978 account for about half of the total Hongkong-controlled tonnage, has operated mainly in the period charter market on his tankers.

That has enabled his operations to be shielded from the full blast of the inclement economic climate.

The Far East and South-east Asia have been a main centre for the development of container traffic in recent years with Japanese companies and Hongkong-based companies playing a leading role in its development. The reliance of the area on sea transport provides some guide to the scale of the future development but, in line with trends throughout the Third World, countries can be expected to adopt a tough nationalistic policy over their shipping requirements.

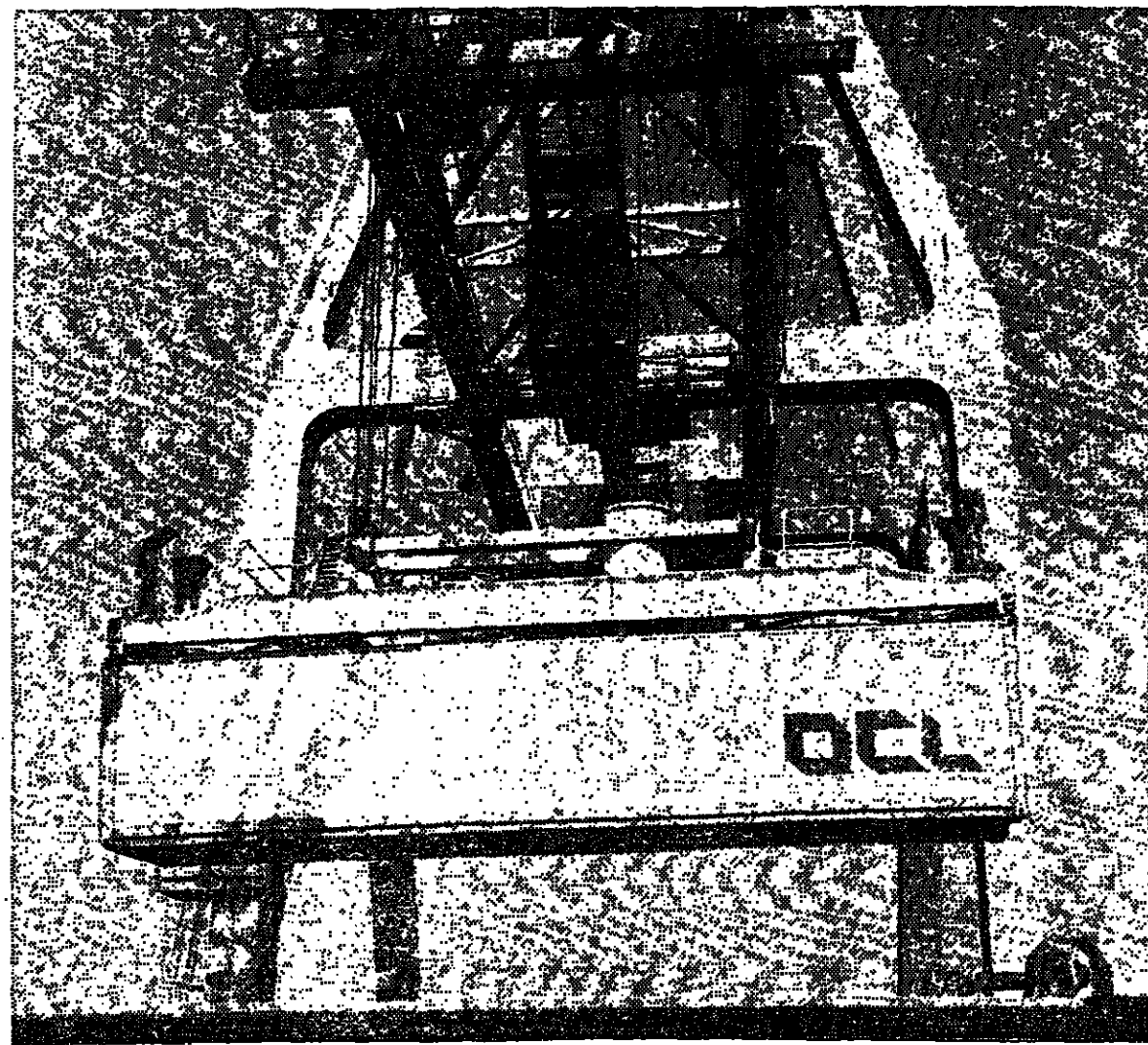
The most immediate trouble facing the shipping industry around the world is the collapse of the tanker market and the general recession in the dry cargo market. There is at present a tanker surplus of 80 million tons deadweight while the tonnage of tanker orders cancelled in the past year is about 45 million tons.

There is still scope for further reduction in the size of the tanker fleet through cancellation or conversion to other types of tonnage. But as one recent study by H. P. Drewry (shipping consultants) observed: "The tanker surplus could last throughout the remainder of the decade"—scarce comfort to hard-pressed tanker operators.

In the dry cargo sector, although there has been a slight improvement in markets recently after Russian grain movements, any real resurgence depends on improved economic conditions throughout the developed world.

The author is Industrial Correspondent, The Times.

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Tanker surplus calls for collective solution

by Christopher Hayman

That the problems of the tanker market are not getting as much attention in the press as they were three or more months ago is much more a reflection of the duration of the present crisis than of any improvement in profitability.

There have been some fluctuations in rates, but generally this year spot-market trading for the bigger tonnage has been at break-even rates or below and contracts for longer-term employment have not been much more attractive. The problem of surplus tanker tonnage is now acute enough to cause independent tanker owners to start looking round for collective remedies—a state of affairs which in a bull market would have been unthinkable in this highly individualistic industry.

A few bare facts are enough to illustrate the magnitude of the difficulty. London tanker brokers report that at the end of October there were almost 45 million tons of tanker capacity laid up in the Norwegian fjords, the eastern Mediterranean, the Far East and other suitable locations.

Widespread slow steaming is a further way in which the world's tanker fleet is being artificially rendered less efficient. More disturbing for owners however is the fact that the surplus now with us is likely to be aggravated by the arrival on the scene over the next two or three years of a substantial amount of additional tonnage, much of it in the VLCC (very large crude carrier) and ULCC (ultra large crude carrier) size range, and much of it without charter.

Clearly one way of guarding against future shock exists through the cancellation of tanker contracts which have not yet been started by the yards. To some extent this practice has been followed, but the 40 million or so deadweight tons which have so far been cancelled do not look like being enough to bring the market back to a supply-demand equilibrium.

Yards are obviously unwilling to release their customers from their obligations without requiring them to pay hefty compensation and in some cases tanker owners have elected to convert their crude carrier contracts into orders for smaller



Koyagi shipyard, Nagasaki.

dry bulk and general cargo tonnage to avoid this. There is no widespread solution here either, since there is a limit to the amount of tonnage in this category which can be absorbed into the market without creating a massive surplus there too.

Against this less than optimistic background, there are some signs of the industry trying to get to grips with its problems on something like a collective basis. A key organization for the independents themselves in these circumstances is Inter-tank, the independent tanker owners' club.

Its chairman, the Norwegian owner, Mr. Jørgen Jørgensen, has for some months been emphasizing that the present problems are not peculiar to the shipowners, and that the best way to find solutions is by drawing together the various interest groups, the banks, the ship yards and the major oil companies in an attempt both to find solutions and to decide how best to share the present burden can be borne.

One of the solutions which has attracted attention so far is the idea of segregated ballast tanks. The 1973 IMCO Convention for the Prevention of Pollution from Ships, which has yet to be ratified by governments, stipulates that all crude oil tankers of 70,000 tons and more constructed for after December 31, 1975, should be constructed with ballast tanks separate from their cargo carrying tanks, as a pollution prevention measure.

Segregated ballast idea finds support

It is fairly clear the way things are going now that little or no tanker tonnage in this size range is likely to be ordered after the end of this year for at least two years, so that the immediate effects of this convention, assuming that it is ratified, are likely to be minimal.

However, some tanker men feel that application of the segregated ballast principle

to the existing tanker fleet has attracted attention so far. The idea of segregated ballast tanks. The 1973 IMCO Convention for the Prevention of Pollution from Ships, which has yet to be ratified by governments, stipulates that all crude oil tankers of 70,000 tons and more constructed for after December 31, 1975, should be constructed with ballast tanks separate from their cargo carrying tanks, as a pollution prevention measure.

The idea was discussed in October at the Maritime Environment Protection Committee meeting in London and it has some widespread support among shipowners. If this solution is to be applied it will have to surmount some real practical difficulties over such questions as enforcement, cooperation from the major charterers of tanker tonnage and participation by American interests who could be vulnerable to anti-trust sensitivities at home.

Segregated ballast is not by any means the only solution now under discussion. Others include agreements to scrap all tonnage of more than a certain age, the use of tankers as storage vessels or skip receptacles, and flexible load-lines. Each of these has a different potential impact on the market and different problems in its application. The problems may be big ones but it is clearly highly desirable for the industry to be seeking some form of joint solution to its problems.

Not all tanker owners have been badly hit by the present poor market. Hongkong owners have not escaped without some idle tonnage but the worst hit so far have been those Norwegian owners with heavy commitments to the spot market and little or no support from a dry cargo operation.

For these the necessity of finding a solution quickly is acute. But even the most enthusiastic advocate of collective remedial action would agree that the safest and surest way to lift the tanker market out of depression is through a strong increase in demand. Just when that increase in demand is likely to come depends on factors outside the control of the independent tanker owner.

The author is editor, Sea-trade.

Good shipowners learn from bad times

by Robert Hawkins

In London it is generally believed that most banks with oil tanker portfolios have outstanding loans exceeding the value of assets. The saving grace for most of them is that the owner-managers have fleets with properly staggered charters, most of the fleet being still worked and enjoying positive cash flow.

The larger the tanker, the greater the loan and asset gap. This is not only because VLCCs (very large crude carriers) are more expensive than tankers under 100,000 tons but because there is now less demand for VLCCs than any other form of oil tanker. It must be borne in mind though that large numbers of big shipowners have diversified fleets, including several varieties of dry cargo and specialized vessels. The cash flow from these can be used to offset tanker losses.

The prudent bank with large shipping commitments will have a diversified fleet on its books, and will look at shipping not as a tanker-related scare area but as an industry with its good and bad sides and a long-term reputation for getting over bad times with little injury to the banking sector.

There is a well documented love-hate relationship between the shipowner and his banker. During good times the shipowner is able to raise loans fairly easily because the tanker is full of confidence that cash flow and asset values will guarantee safe business. The owner may even be tempted into over-investing himself in money in the tanker market. It is a sign of the banker's confidence that the owner should not be over-optimistic about the tanker market's future.

During bad times asset values fall and the scrap price of steel inevitably falls at the same time, not because of any ships are coming breaking yards but because the industrial growth which has led to the demand for steel falls away. Hull values become so low that expert-encased shipowners with good bank accounts are on the lookout for bargains in ships to keep in mothballs until the inevitable upswing comes.

Banks, frightened by the turn of events, do not want



A mid-morning discussion in the shadow of the Bank of England.

to lend, the shipowner knows it is unwise to part with too much cash; and the late tanker market collapse has even Court Line was a travel about ship finance is that bankers will help out on current fleet difficulties during the slump, while the owner will in the main keep his fleet business with his traditional banker during good times.

The number of shipping businesses which have got into trouble during the present depression is remarkable. But the essential thing about ship finance is that bankers will help out on current fleet difficulties during the slump, while the owner will in the main keep his fleet business with his traditional banker during good times.

The present tanker slump, however, is unique. London bankers, operating from the rushed through Parliament, Press.

centre of world ship finance, are a bit surprised that there have not been more spectacular tanker collapses to date. Even Court Line was a travel about ship finance is that bankers will help out on current fleet difficulties during the slump, while the owner will in the main keep his fleet business with his traditional banker during good times.

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and its intention was to preserve the integrity of the Norwegian fleet. A. official estimate is that our Government support for Norwegian tankers might decline by 30 per cent because of sales at The Institute is intended to give limited cover for lost payments on ex-loans, to guarantee against ships which are up or which have not unilateral charter negotiations, and to guarantee already contracted.

However a member of the Norwegian Government did say that it was the intention of the Government to bail out banks since some banks will doubt have six to eight loans outstanding on a running out, an interest arrangement over year, for instance, lifts their gloom.

During the 1972-73 dry boom many shipowners over-extended themselves cause money was so available, and many new to the scene were generous. There were of 100 per cent loans with charter obligations to the Norwegian owners were considered safe bets, and was reflected in low centage spreads (that margin which bankers put loans to cover overheads profits).

The Norwegian rates low as 0.75 per cent, the Greeks were still at 1.5 per cent, for example. The Hongkong Chinese favourables which Japan charters, and went as far as the Norwegians. It is a of the times that all world shipowners appear to be evenly matched, and any case very little financing is taking place.

But there is an important understanding among financiers that the worst of the property men should not be allowed to recur in the shipping sector. London recently there have been at least four large formal gatherings of ship bankers who have changed views on tanker portfolios; while transfer of obligations certainly not on the partners in syndicated loans are determined not to be the boat for their bank competitors.

The author is editor, Press.

Third biggest concentration of drilling rigs promises great future for exploration

"All it needs is one big strike and this could be swarming with rigs," so said one South-east Asia oil man who sees the potential for offshore exploration in the next few years.

Not that rigs are a rarity in South-east Asia and the Far East; indeed, a recent estimate suggested that these areas boast the biggest concentration of drilling rigs anywhere outside the North Sea and the Gulf of Mexico. There are 38 rigs working in the area compared with the mid-year estimate of 51 in the North Sea and 65 in the Gulf of Mexico.

South-east Asia and the Far East are also developing as a significant centre for rig construction with about one in six of all rigs now on order being built in Singapore, while others are under construction in Hongkong.

With this much activity already and the promise of more to come it is interesting to speculate on whether shipowners in South-east Asia and the Far East will imitate the example of their European counterparts in diversifying their activities into the offshore business.

A feature of the growth

of North Sea exploration was the way European owners became involved in different spheres of the operation, from offering support and supply services through to the acquisition and operation of semi-submersible oil rigs.

At the forefront of this movement have been the Norwegians, many of whom saw the offshore business as an interesting alternative to tankers for ploughing back profits generated during the 1973 market boom, and with the same tax advantages from the Norwegian Government.

Interest in offshore concessions

But the British, the Dutch, the West Germans and the Danes have also become involved in the offshore business, in some cases even taking an interest in an offshore concession.

The central theme in a drilling operation is the rig itself and many shipowners have directed their attention accordingly. The modern semi-submersible rig has quite a lot in common with a ship; it is a costly piece of equipment which needs to be financed in much the same way as a ship.

Just like a ship, it has a crew who have to be recruited and catered for and the insurance needs are similar. From the point of view of the exploration company, therefore, with other calls on its resources and little experience of operations at sea, it often makes sense to leave this side to a shipowner.

The relationship between the two may be worked in one of a number of different ways. At one end of the scale the drilling contractor may take the rig on a "bare boat" basis. This means that he may simply hire the rig and provide the crew and supplies himself. Here the owner has almost no part in the exploration business, but is simply acting as the lessor in a lease transaction. Alternatively a joint operation may be chosen, where the contractor provides the key technicians and the owner provides the rest. The contractor may be a part-owner in the rig or he may work on a fee basis. At the other end of the scale, the shipowner may elect to act as a contractor himself, which means that he controls the entire drilling operation and all the problems that go with it. Not surprisingly, examples of the shipowner going the full distance in this way are rare.

While there are similarities between owning and running a ship and owning

and running a rig, there are big differences, too, and the shipowner who has ambitions in this direction needs to go into the business well prepared.

An area which suits his experience and skills as well or better than rig operations may turn out to be the supply boat business. These are the rugged craft that deliver the essentials to exploration craft regardless of weather conditions.

Seamanship is at a premium and indeed in the competitive market of the North Sea, supply boat owners compete with even another to enlist the services of their supply boat masters who have reputations for competence. These provide a valuable selling card in negotiations with a charterer. A cut-throat market, which mirrors the bulk shipping market in many respects, also exists, though charter arrangements which last a complete drilling season are more common.

Small fleets of supply boats

The vessels themselves have been developing rapidly. Towing and anchor handling capabilities are commonplace in the North Sea. Ships strengthened against ice have been built for the Canadian offshore business.

Speed and manoeuvrability are at a premium. All of this is meat and drink to the experienced shipowner who will have had to cope with such problems in conventional shipping. It is not surprising therefore that a number of big owners have successfully moved across to the offshore sector and are now running small fleets of supply boats as a lucrative sideline.

There have been occasions, too, when an owner has decided to proceed further into the offshore supply bases at home, but even bought a developed fleet from a boat. Others have built up supply networks providing technical services and hardware needed on board the rig. Pipe-laying barges present another direction for investment, and one Scandinavian owner has even bought a helicopter service and a deep sea diving company. Opportunities develop alongside the search for oil. With 14 rigs now operating off Malaysia and three rigs in the waters of each of Taiwan, Burma, the Philippines and China, the offshore business potential is growing in South-east Asia running a ship and owning

New code overshadowed by Soviet threat

by Bruce Barnard

There were few fanfares when the United Nations code of conduct for liner conferences got the necessary number of signatures by the June 30 deadline.

Concern over the code, which would drastically curb the power of the traditional shipping conferences, has been overshadowed by more immediate troubles.

The leading maritime nations are more worried by the threat of a growing Soviet fleet; and the developing countries, the main backers of the code, are struggling with the twin evils of port congestion and a worsening trade slump.

Most of the 32 signatories have yet to ratify the code, and it will take a long time to pass the required domestic legislation to make each country a contracting party.

However, while the code may not be implemented immediately it is bound to cause difficulties for the traditional maritime nations. The core of the code lies in article two, which stipulates that the group of national lines of each of two countries, whose foreign trade is carried by a conference, shall have equal rights to participate in their mutual trade, with third country ships hauling the rest.

That "40:40:20" cargo sharing will hit the leading maritime nations which occupy the third country position.

There has been no simple split between the industrialized and developing countries. Australia and Japan joined the communist block in voting for the convention, while the United States, Norway and Sweden voted against. The EEC was similarly divided with West

Germany, Belgium and France for, Britain and Denmark against, and Italy and The Netherlands abstaining.

Whether the code breathes life into the liner trade depends on the attitude of Japan and the EEC. The action of the three EEC signatories, who have yet to ratify, could be crucial. By signing, West Germany, France and Belgium added 8 per cent of the world's dry cargo tonnage, and brought up the necessary 25 per cent to get the code over its first hurdle.

Brussels sources see their signatures as an "act of defiance" and a manoeuvre to force the European Commission to move on shipping legislation generally. All three states are being brought before the European Court because the Commission had earlier told member states not to ratify the code until the legal position was determined.

The Treaty of Rome lays down that there must be a unanimous decision before a common shipping policy is adopted. The court has said shipping is subject to the general rules of the treaty, and the Commission proposes to test the effect of the treaty on the shipping court's judgment.

There are strains among the EEC's shipowners that make it difficult for a common front to emerge. As an example, Herr Hans Jakob Kruse, chairman of Hapag-Lloyd, Germany's largest liner, has been attacking Britain for allowing the launching of a Soviet liner service while failing to intervene over the boycotted German ferry, the Mary Poppins.

Despite those arguments, Brussels officials feel that

in the longer term the EEC will eventually cooperate as a block for an amended code.

Britain is still taking a hard line against the code, apart from trying to persuade Mr. Einar Magnusson, the Norwegian Minister of Trade and Shipping, visited London at the end of October and explained his Government's attitude on tanker tonnage and charter contracts to a meeting of City bankers and shipowners.

The Norwegians, however, have emphasized the danger of letting the issue drag on, for fear of countries bringing in unilateral legislation and extending cargo sharing to oil and bulk shipping.

Japan has not signed the code, even though it voted in favour of its principles. The Government looks like reaching a decision, however, and the Ministry of Transport has set up a study group with shippers and shipowners to study the issue. Despite pressure from other maritime nations, Japan is planning to align its domestic laws with the convention.

The Japanese Government has also come under pressure from its own shipowners who want steps to be taken against developing nations which, despite having signed the code, have ignored its principles, and enforced a total flag preference policy for their national fleets.

Even if the lawyers and politicians untangle the complexities of the code, there will be no sudden rush of developing countries taking up their share of the market. They simply do not have the money.

The barriers between the traditional and developing trade, shipping nations have been breached by the entry of the code to the politicians.

Hongkong shipowner, C. Y. Tung, into the Atlantic DART Containerline and the purchase by T. wan's Ta Peng Shipping, the European carrier, Ma chesini Lines. The project is likely to continue, led by Singapore, Taiwan and Hongkong.

The region's national lines are accustomed to conferences; Neptune Orient Line, Korea Shipping Corporation and Malaysian Shipping are all well entrenched in the Far East freight conference. They are expected to have a bigger say in the predominantly western conference, as the latter adapt to a free shipping nationalism.

Elsewhere fleets are being built up at a rapid pace. Thailand has established private liner and tramp company, Jutha Maritime, and Taiwan's China Merchants Navigation is expanding its fleet after the sixth consecutive year of profits. Indonesia is investing more than \$200 million (about £150m) in new ships and as it expands its fleet, Malaysian Shipping Corporation has the option to pump about \$70m into five liquid natural gas carriers.

At present, the national lines are trading with caution in the face of a deep slump in the region's trade with the United States and Europe. The drop is a traffic between Japan and smaller Asian neighbours claimed its first victim in Oryama Shipping, which lapsed this summer, up their share of the traffic, picks up Asian shipping lines are expected to pursue aggressively a large share of the region's foreign trade. Most local shipping leaders prefer to leave the code to the politicians.

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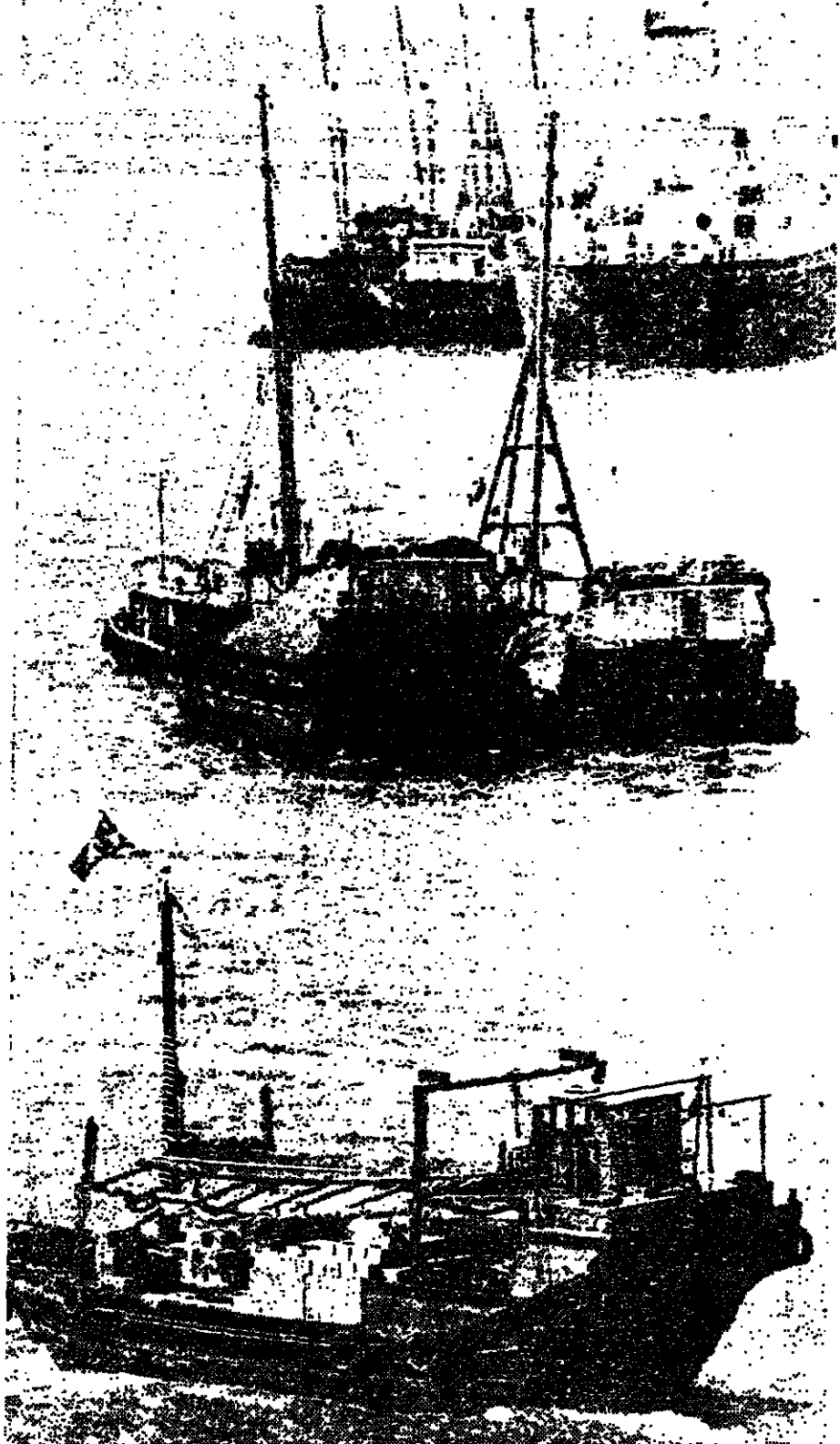
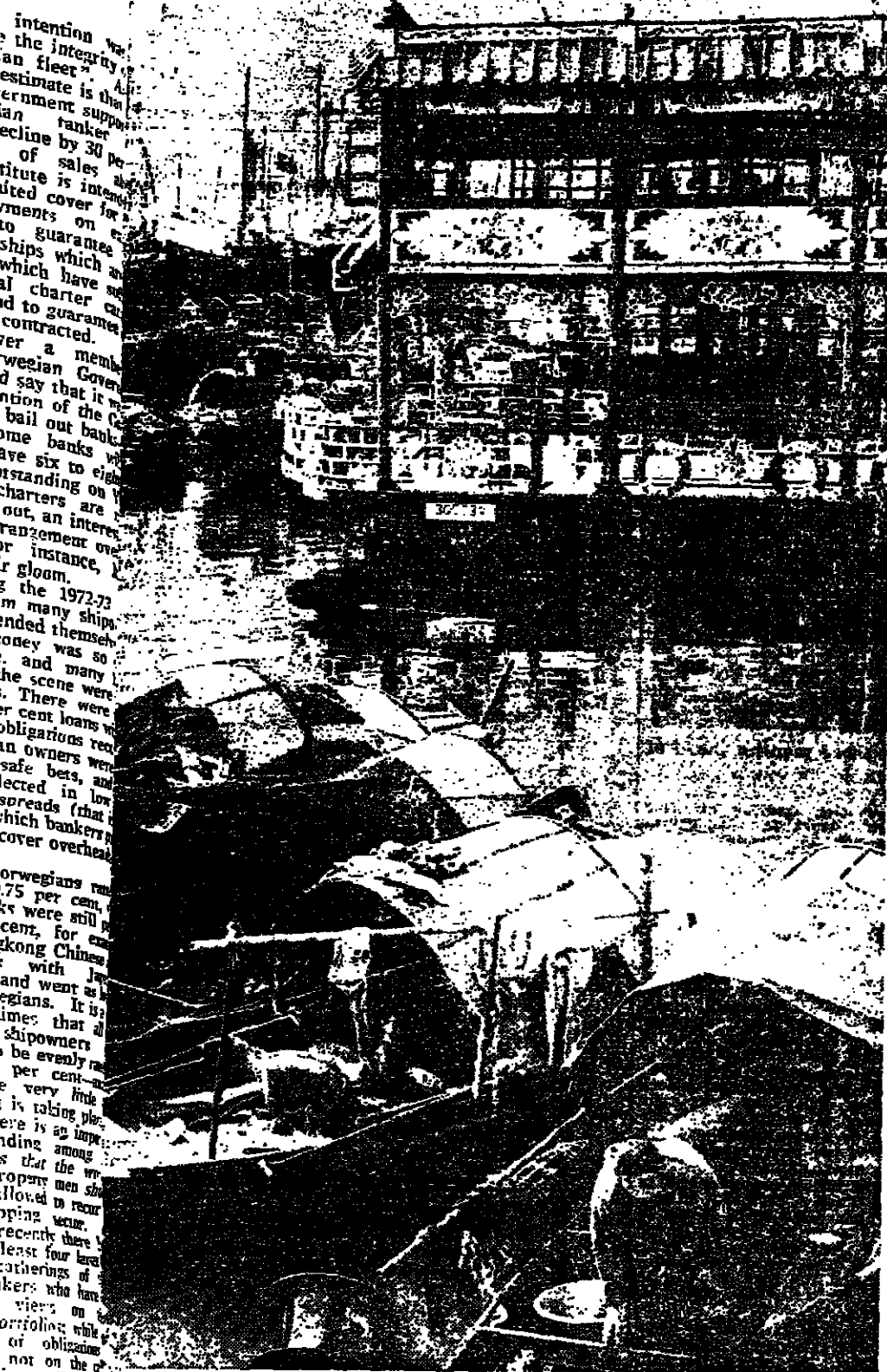
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A floating restaurant at Castlepeak Bay, Hongkong, surrounded by sampans in which whole families live. Right: ships offload on to junks and lighters in the colony's natural harbour.

Hongkong consolidates position as major world centre

by John Greenwood

During the past five years Hongkong has consolidated its position as a major world shipping centre. Two groups of factors have contributed to this achievement and as these two sets of conditions remain intact, it is likely that over the next five years Hongkong will grow to pre-eminence despite the present recession in shipping.

The atmosphere produced Hongkong by the invisible hand of free competition and minimum of bureaucratic interference has produced a competitive environment for every kind of all-enchained service associated with international shipping. A network of shipping, shipbuilding, dock, cargo-handling and ship-repair facilities has sprung up in a small area, so that it is possible to arrange, by telephone or with a visit, to ship, store, repair, finance, charter and freight rates, and, if necessary, to arrange for the shipping of goods to and from Hongkong.

Domestic restrictions, subsidies and tax systems administered by other governments in the Asian-Pacific region have also contributed significantly to Hongkong's position. Last year Mr K. Pao, chairman of the

Hongkong Shipowners' Association, estimated that, even with the recession, some 23 million tons of shipping were managed or operated from the colony.

Recently shipbrokers E. A. Gibson, of London, estimated that Mr Pao's worldwide shipping group was the leading private owner of tankers, with 35 very large crude carriers in service and 18 on order, totalling more than 13 million deadweight tons. In addition, the group has about 100 smaller bulk carriers and liquid petroleum gas carriers in service or on order, so that the worldwide fleet grosses 18,500,000 deadweight tons. The second major independent group in Hongkong is Mr C. Y. Tung's Orient Overseas Group, with 4,500,000 tons of VLCC's in service or on order.

Mr Pao has described the particular conditions prevailing in Japan upon which he has built a considerable part of his empire. He was once asked by an official of the Bank of Japan why, when Japanese yards built ships for which the Japanese Government arranged credit, foreign shipowners, especially from Hongkong, resulted from the need to secure tonnage for Japan's growing industry which could not be acquired directly from Japan. It was necessary for all these ships to have a foreign owner.

The answer, according to Mr Pao, was simple, because of (Japanese) Government policies and actions at that time, the services of foreign owners were essential. While the Japanese companies could secure cargoes, they were unable to raise enough domestic capital to order ships, and were prevented by exchange controls from obtaining the necessary funds abroad.

At the same time the pressure to strengthen export industries in Japan produced the large amounts of government credit available to foreign owners willing to commit themselves, not only to the shipyards with their fairly short traditions in building larger sea-going vessels, but also to longer-term charters with shipping firms which were not yet reorganized and as well-established and internationally known as they are today.

Thus what the Japanese call the *shikumen*, or tie-in arrangement between Japanese operators and foreign shipowners, especially from Hongkong, resulted from the need to secure tonnage for Japan's growing industry which could not be acquired directly from Japan. At that stage Japanese shipping was as dependent on foreign owners as the latter were dependent on Japan. From March 31 this year, however, the Finance Ministry of Japan discontinued its 21 year old system of subsidized ship-owners on their interest payments for funds supplied for building new vessels.

Even without the subsidy, which was mainly intended to boost exports to foreigners, Mr Pao thinks that Hongkong's development would have taken place in any case because the Colony has always provided a more suitable environment for the shipping industry than most other places.

The absence of regulations and controls which restricted the freedom of decision of Japanese shipping firms enabled Hongkong owners to react instantly to changing market conditions and make shrewd investments.

Hongkong owners can contact international banks to tap other sources of long-term capital, unfettered by foreign exchange controls; they can register their vessels wherever they expect business to materialize; and they can employ officers and crews from a number of

national backgrounds, depending on supply and demand. Japanese firms have not enjoyed similar freedoms and have been hampered by administrative and legal controls.

Japanese shipping firms have only recently begun to operate in a world akin to that which Hongkong owners have always known. This follows drastic changes in the international monetary scene, some loosening of Japanese controls, more internationalization of the Japanese banks and a consequent broadening of their funding base.

With no government subsidies, no investment credits or special tax incentives, Hongkong has developed the skills necessary to survive in a keenly competitive world. It is this competitive pressure which is now being applied to the freight conference rates to and from Hongkong.

The Far Eastern Freight Conference, essentially a cartel of 28 shipping lines operating on the Hongkong-Europe route, has threatened to raise freight rates charged to Hongkong shippers by 14 per cent from February. Already this June the cartel of shipping lines operating on the Hongkong-United States route almost disintegrated when leading Japanese, American and Danish members notified the Trans-Pacific Freight Conference and the New York Freight Bureau of their intention to withdraw because of undercutting by non-conference shipping.

Similarly the FEFC is being undercut and the Hongkong shippers' association is vigorously resisting any rise in freight rate designed to make life comfortable again for the shipping conference.

One of the main sources of competition apart from non-conference lines is the rapid growth in land traffic across Russia. The Soviet land bridge (by boat to an East Russian port, then by train across the newly double-tracked trans-Siberian railway to Eastern Europe and the EEC) is about 50 per cent faster and 20 per cent cheaper for Japanese shippers, and Hongkong shippers are finding similar advantages.

It is estimated that about 10 per cent of all goods shipped from Hongkong to Europe now travel across Siberia, and unless the FEFC relents it is likely that, yet again, Hongkong shippers will have found a way to evade another restriction on their freedom of action.

Untimely date for reopening of a once vital channel

by Peter Hill

The 100-mile waterway which links the Mediterranean with the Indian Ocean has exerted a powerful influence on the development of world trade since its opening in 1869.

The Suez Canal brought East and West closer and provided the vital channel between Britain and her colonies in the South-east. The opening of the canal gave impetus to the acceleration of trade, its closure on two occasions in the past 20 years has had equally significant impact on the development of the world's shipping industry.

It was the canal's closure in 1956 which hastened the development and construction of the large oil tankers to ferry crude oil from the oilfields of the Middle East to the refineries of Europe and the United States. These vessels are routed south round the Cape of Good Hope to their destinations and, as the shipping industry moved forward into the construction of larger and larger ships, the uncertainty of the political instability of the canal persuaded more and more owners and shipping companies that it would be cheaper and safer to transport their goods around the Cape. In any case the capacity of the canal was being outgrown by the larger ships, which has a draught restriction of 38ft, thus limiting access to vessels of less than 400 tons.

On the same scale it was not returned to the canal its reopening. Its subsequent closure in the six-day war of 1967 confirmed most of the shipping industry's



In May President Sadat's destroyer leads the convoy through the reopened Suez Canal.

worst fears and vindicated their decisions.

The decision to undertake a large-scale cleaning-up programme in the canal zone after the Yom Kippur war and the commitment of vast sums of money to enable the waterway to accommodate the largest ships afloat created considerable investment. In June this year, after months of effort by international salvage teams and some £90m worth of investment, the Suez Canal Authority, which had set the canal's closure at some 90 per cent higher than the pre-closure levels, managed to collect more than \$1m from the 90 or so vessels which made the eleven and a half hour journey between Port Said and Suez.

A more untimely date for the canal's reopening would have been difficult to imagine. After the sharp deceleration in growth in world trade in the second half of 1974, high rates of inflation and the impact of nearly a fourfold increase in crude oil prices, the shipping industry was thrown into turmoil.

It had been obvious for a considerable time that the volume of tanker tonnage on order with the world's shipyards would be well above requirements, given the reduced levels of consumption. Cancellations have poured into the shipyards and the horizon has dropped out of the tanker market. In the dry cargo sector, where market conditions remained firmer for a longer period, a similar trend has developed and, although there are indications that the world will soon begin to move out of a severe recessionary phase, it is difficult to predict when and at what speed that change will occur.

Clearly, these factors are of supreme importance to the Suez Canal Authority and to Egypt which depends on the revenues from the canal for a great deal of its industrial development. While officials remain confident, the canal has not so far attracted back the tonnage which it lost after the 1967 closure.

In the first two months of operation after the June reopening, the canal took 763 ships—a daily average of 25

the passage round the Cape of Good Hope.

Others remain reticent. The reasons are both economic and physical. The draught limitations are one consideration. The maximum permitted draught of the waterway is 38ft, although this will be increased under the redevelopment plan, and this is a constraint on a company operating a fully-loaded container ship.

Mitsui-OSK Lines and Nippon Yusen Kaisha of Japan have recently explained that their reasons for not returning have been influenced by the high insurance premiums required on ships using the canal and the high level of dues.

On the other hand, conventional cargo liners are using the canal in greater numbers. In the first two months of its operation these ships provided 80 per cent of the revenue because of low level of usage by tankers. Ships operating between the Far East and the Black Sea are now using the waterway, and medium-sized container ships are starting to use the canal on their services between the Far East and Mediterranean ports.

In the short term the bulk of the shipping through the canal will be cargo liners followed possibly by container ships. Tankers are unlikely to represent a major portion of traffic for some time simply because only about 30 per cent of the present world fleet could be accommodated in the waterway against about 60 per cent in 1967, because of the present draught restrictions.

One major company, a member of the FEFC, is using the canal. Orient Overseas Container Line, run by Mr C. Y. Tung, the Hongkong owner, is sending its six full container ships through the canal on the basis that such a route reduces the round voyage time by 12 days compared with



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